STRATEGIES, ADVANTAGES AND DISADVANTAGES IN E-RETAILING

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ABSTRACT

E-retailing is the practice of selling retail goods on the internet which is basically a business for the transactions of e-commerce of consumer goods that plays an important role in the growth and development of a business and is very useful for consumers who lack the time to buy a variety of products that are desired directly in stores. The fast moving consumer goods (FMCG) sector is an important contributor to India’s gross domestic product (GDP) and over the past 10 years, e-commerce has been one of the fastest growing segments of the retail industry. The Indian e-retailing is going through a transformation and this emerging market is witnessing a significant change in its growth and strategies.

In the backdrop of all these developments the present paper makes an attempt to: deals with the challenges occurring in the e-retailing, how to face the risk in the e-retailing the growth of e-retailing and the strategies that are being followed in present scenario in e-retailing.

Key Words: Electronic retailing, Strategies, FMCG, Advantage and disadvantages

INTRODUCTION

The E-Retailing is the concept of selling of retail goods using electronic media, in particular, the internet. The vocabulary electronic retailing, that used in internet discussions as early as 1995, the term seems an almost in evitable addition to e-mail, e-business and e-commerce, etc. e-retailing is synonymous with business-to-consumer (B2C) transaction model of e-commerce. Although e-retailing is an independent business model with certain specific constituents like; trust model, electronic transaction process, etc, but in reality it is a subset of e-commerce by nature.
E-Retailing stores sell online promotion only for goods that can be sold easily online, e.g., Amazon did for Books & CDs, etc. The online retailing require lots of displays and specification of products to make the viewers have a personal feel of the product and its quality as he gets while physically present in a shop.

E-Retailing refers to retailing over the internet. Thus an e-Retailing is a B2C (Business to customer) business model that executes a transaction between businessman and the final consumer. E-Retailers can be pure play businesses like amazon.com or businesses that have evolved from a legacy business such as tesco.com. The e-retailing is a subset of e-commerce. Thus, e-commerce is the master domain defining the e-retailing operation.

**Essentials of E-Retailing**

Electronic retailing or e-tailing, as it is generally being called now, is the direct sale of products, information and service through virtual stores on the web, usually designed around an electronic catalogue format and auction sites. There are thousands of storefronts or e-commerce sites on the Internet that are extensions of existing retailers or start-ups. Penetration of computers and proliferation of the Internet has given rise to many new forms of businesses, such as business process outsourcing, call centre based customer relationship management, medical transcription, remotely managed educational and medical services and of course, electronic retailing. There are certain essential ingredients for an electronic retailing business to be successful. One must consider these components well in advance before setting up an electronic storefront. These essential components are:

- Attractive business-to-consumer (B2C) e-commerce portal
- Right revenue model
- Penetration of the Internet

**E-Catalog** – It is a database of products with prices and available stock.

**Shopping Cart** – The customers select their goodies and fill shopping cart. Finally, as in a real store, at the time of checkout, the system calculates the price to be paid for the products.

**A payment gateway** – Customer makes payments through his/her credit card or e-cash. The payment mechanism must be fully secure.  

**DEFINITION OF E- RETAILING**

The sale of goods and services through the Internet. Electronic retailing, or e-tailing, can include business-to-business and business-to-consumer sales. E-tailing revenue can come from the sale of products and services, through subscriptions to website content, or through advertising. It is a play on the words "retail" and "e-commerce." 

**MEANING OF E-RETAILING**

E-retailing uses internet as a medium for customers to shop for the goods or services. It can be either Pure-plays or bricks-and-clicks. Pure-play uses internet as primary means of retailing while bricks-and-clicks uses the internet as an addition to the physical store.
Now a day retailers have started offering almost everything under the sun on internet. From products like groceries to services like online gaming and jobs, e-retailing covers all frontiers.

Unfortunately, India has lagged in e-retail growth story due to low density of internet connections, lower penetration of credit cards and customer anxiety in using new technologies. We now discuss these issues and suggest possible avenues for e-retailers to turn them to their advantage.

OBJECTIVES

- To understand the advantage and disadvantages in e-retailing.
- To understand the e-retailing strategies

Methodology: This study is based on the analysis of the secondary data published in the magazines and various websites.

REVIEW OF LITERATURE:

Alexander, Pearson, and Crosby (2003) ¹ detail the transition of Borg miller Travel (Carbondale, IL) from a traditional travel agency to an e-commerce business. The process change involves moving from offering unspecialized services to the local market to competing in a global market with an emphasis on travel to Malaysia. Key aspects of the change are the identification of a niche market, investing in the technology and human resources necessary to conduct an e-business, and providing top management support for the new strategy. Borg miller Travel emphasizes the need for website maintenance and the need to continually provide new marketing material to meet the Internet customer's expectation of fresh website content.

Cordeiro, W.P. (2003) ² The study describes how a retail jewelry store in a large city transitions from a traditional marketing strategy (signs, print and radio advertising, aggressive sales staff) to selling over the Internet. The implementation of an e-commerce strategy creates problems in terms of project management (deadlines, staffing, and testing) and adaptation to a new marketing culture. The store notes that their Internet customers are more knowledgeable buyers, and that e-sales tend to be for different merchandise than in-store sales. The net effect of adopting e-commerce is to reverse the decline in sales and improve staff morale. Firm profits, however, do not return to prior levels because the store's high-margin items are not big sellers over the Internet.


Poon, S. and Swatman, P.M.C. (1997) Twenty-three case studies of small businesses in Australia are conducted to determine the roles played by the Internet among small businesses, drivers for Internet use, and benefits perceived by the firms. The case study firms are classified by business organizations, product/services, employment, sales, years of Internet use, and key reasons for using the Internet. The case studies focus on identifying patterns among participants regarding (1) the role of the Internet as a medium for communication, (2) management's enthusiasm for Internet use in the business, (3) perceived benefits from Internet use, (4) differences in Internet usage among industries, (5) extent of integration between the Internet and internal management systems, and (6) the need to be entrepreneurial in Internet applications. The authors conclude that the most crucial factors affecting Internet use in the businesses are management commitment and perceived benefits.

Lone-Eagle Consulting (Dillon, MT) (2006) provides Internet training guides, resources, and courses for individuals/businesses/organizations desiring to enhance their resources and skills. An ongoing collection of Idaho e-commerce success stories is funded by the USDA through the Rural Development Council of Idaho. These success stories are maintained and updated on the Lone Eagle website. The success stories are very brief, often consisting of only a one or two sentence description of the business. Website addresses are provided for approximately 25 success stories, thus the interested reader may obtain additional details on the business. The Lone Eagles website also includes four success stories shared by the Idaho Virtual Incubator (IVI), a service provider that assists businesses develop websites. Brief (one to two paragraphs) testimonials to the services of IVI are provided by four businesses: New Pioneer Log Homes, EverydayBucks.com, Clearwater Country Cakes, and AAA Precision Tool and Cutter Grinding.

Advantages and Disadvantages of E-retailing

Advantages of e-retailing

Lower Cost

Doing e-business is cost effective; it reduces logistical problems and puts a small business on a par with giants such as Amazon.com or General Motors. In a commercial bank, for example, a basic over-the-counter transaction costs £0.50 to process; over the Internet, the same transaction costs about £0.01. Every financial transaction eventually turns into an electronic process. The sooner it makes the conversion, the more cost-effective the transaction becomes.

Economy

Unlike the brick-and-mortar environment, in e-commerce there is no physical store space, insurance, or infrastructure investment. All you need is an idea, a unique product, and a well-designed web storefront to reach your customers, plus a partner to do fulfillment. This makes e-commerce a lot more economical.

Higher Margins

E–commerce means higher margins. For example, the cost of processing an airline ticket is £5. According to one travel agency, processing the same ticket online costs £1. Along with higher margins, businesses can gain more control and flexibility and are able to save time when manual transactions are done electronically.

Better Customer Service

E–commerce means better and quicker customer service. Online customer service makes customers happier. Instead of calling your company on the phone, the web merchant gives customers direct to their personal account online. This saves time and money. For companies that do business with other companies, adding customer service online is a competitive advantage. The overnight package delivery service, where tracking numbers allow customers to check the whereabouts of a package online, is one good example.

Quick Comparison Shopping

E–commerce helps consumers to comparison shop. Automated online shopping assistants called hopbots scour online stores and find deals on everything from apples ro printer ribbons.

Productivity Gains

Weaving the web throughout an organization menas improved productivity. For example IBM incorporated the web into every corner of the firm – products, marketing, and practices. The company figured it would save $750 million by letting customers find answers to technical questions via its website. The total cost savings in 1999 alone was close to $1 billion.

Teamwork

E–mail is one example of how people collaborate to exchange information and work on solutions. It has transformed the way organizations interact with suppliers, vendors, business partners, and customers. More interactions mean better results.

Knowledge Markets

E–commerce helps create knowledge markets. Small groups inside big firms can be funded with seed money to develop new ideas. For example, DaimlerChrysler has created small teams to look for new trends and products. A Silicon Valley team is doing consumer research on electric cars and advising car designers.

Information Sharing, Convenience, and Control

Electronic marketplaces improve information sharing between merchants and customers and promote quick, just–in–time deliveries. Convenience for the consumer is a major driver for changes in various industries. Customers and merchants save money; are online 24 hours a day,
7 days a week; experience no traffic jams, no crowds, and do not have to carry heavy shopping bags.

DISADVANTAGES OF E–RETAILING

Security

Security continues to be a problem for online businesses. Customers have to feel confident about the integrity of the payment process before they commit to the purchase.

System and Data Integrity

Data protection and the integrity of the system that handles the data are serious concerns. Computer viruses are rampant, with new viruses discovered every day. Viruses cause unnecessary delays, file backups, storage problems, and other similar difficulties. The danger of hackers accessing files and corrupting accounts adds more stress to an already complex operation.

System Scalability

A business develops an interactive interface with customers via a website. After a while, statistical analysis determines whether visitors to the site are one–time or recurring customers. If the company expects 2 million customers and 6 million shows up, website performance is bound to experience degradation, slowdown, and eventually loss of customers. To stop this problem from happening, a website must be scalable, or upgradable on a regular basis.

E–commerce is not Free

So far, success stories in e–commerce have forced large business with deep pockets and good funding. According to a report, small retailers that go head–to–head with e–commerce giants are fighting losing battle. As in the brick–and–mortar environment, they simply cannot compete on price or product offering. Brand loyalty is related to this issue, which is supposed to be less important for online firms. Brands are expected to lower search costs, build trust, and communicate quality. A search engine can come up with the best music deals, for example, yet consumers continue to flock to trusted entities such as HMV.

Consumer Search Is Not Efficient Or Cost–Effective

On the surface, the electronic marketplace seems to be a perfect market, where worldwide sellers and buyers share and trade without intermediaries. However, a closer look indicates that new types of intermediaries are essential to e–commerce. They include electronic malls that guarantee legitimacy of transactions. All these intermediaries add to transaction costs.
Customer Relations Problems

Not many businesses realize that even e–business cannot survive over the long term without loyal customers.

Products People won't buy online

Imagine a website called furniture.com or living.com, where venture capitalists are investing millions in selling home furnishings online. In the case of a sofa, you would want to sit on it, feel the texture of the fabric etc. Beside the sofa test, online furniture stores face costly returns which makes the product harder to sell online.

Corporate Vulnerability

The availability of product details, catalogs, and other information about a business through its website makes it vulnerable to access by the competition. The idea of extracting business intelligence from the website is called web framing.

High Risk Of Internet Start–up

Many stories unfolded in 1999 about successful executives in established firms leaving for Internet start–ups, only to find out that their get–rich dream with a dot.com was just that – a dream.

E–retailing Strategies

a. Getting the customer information in the proper way
b. Target the right customers for the time being
c. Create and innovate an effective communication
d. Strong logistic and supply change management
e. Right positioning in the right way

Conclusion

There are several things discuses to consider when e–retailing start. This present paper makes an attempt to: deals with the challenges occurring in the e–retailing, how to face the risk in the e–retailing the growth of e–retailing and the strategies that are being followed in present scenario in e–retailing.at the same time we measure so many valuable things like

1. To determine the value of e-commerce in the India retail sector.
2. To investigate current trends and technological advancement and usage. like they are growth in online sales, growth.
3. To explore a possible strategy and approach to online e-retailing.
4. To determine and clearly articulate the advantages and disadvantages of having an online e-retailing
5. Now a day’s E-retailing is playing vital role in domestic and international, with this technology
6. Customers can register and communicate with business to order product and services and can pay from a credit card or debit card to the respective companies.
REFERENCES


