

E-tailing



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Introduction

As the internet began to diffuse and become necessity through the developed world a number of years ago, online retail has become a hot topic that people looking at. E-tailing, which the selling firm need not provide physical parking, cashiers, shelves, aisles, or a building. In effect, the usual physical constraints acting upon the retailer no longer applied. For example, the cost of retail space constrains our ability to offer variety to the client. Besides, the lack of physical establishment could generate cost savings and compromise on customer satisfaction.

While we did not need to take our buildings online, we have carried habitual ways of thinking into the online world. For example, web sites tell their customers to “ place” their purchases in a “ shopping cart”. Certainly there is no longer a physical need to provide a shopping cart for the client. The reasons to still provide it are metaphor, mental script and convenient. The goal of this paper is to highlight how constraints implied by physical retailing differ from those implied by online retailing and why this difference matters for both practice and theory.

Background Of Study

E-tailing, electronic retailing is the selling of retail goods on the Internet and used in Internet discussions as early as 1995, the term seems an almost inevitable addition to e-mail, e-business, and e-commerce. E-tailing is synonymous with business-to-consumer (B2C) transaction. According to a Jupiter Research study, online spending for retail products and services will increase at a 12 percent annual average clip through the end of 2010. People bought goods and services worth \$81 billion from online retailers in <https://assignbuster.com/e-tailing/>

2005, a figure expected to jump to \$95 billion in 2006 and to \$144 billion in 2010.

Literature Review

Methods

Primary source

Journal article: Charles F. Hofacker (2008), “ E-tail constraints and tradeoffs”,
Journal of Direct Marketing, Vol. 2, pp. 129-143.

Secondary sources

Internet searching with the address:-

1. http://searchcio.techtarget.com/sDefinition/0,,sid182_gci212079,00.html#
2. <http://www.infoworld.com/t/business/us-e-tailing-sales-have-brisk-growth-through-2010-571>

Discussion

Customer service design

E-tail service design has been dominated by the need to measure service quality and the role that service quality plays in satisfaction and repeat patronage. Off line retail, constraints on retail customer service quality are generally human-resource based, as retail employees have a big impact on the service quality dimensions of responsiveness, assurance, reliability and empathy. Online retail service in comparison is broken into two phases, the client interaction phase taking place online and the fulfillment phase taking place offline.

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Here, I focus on the first phase which is the client interaction phase. There are three important requirements on the first phase, the site must offer a compelling hedonic experience, it must be useful in providing retailing functionality (eg: search, comparison, transaction) and it must be easy to use. In order to simultaneously satisfy all three of these requirements, there are three steps to follow. First, create a hedonic experience but keep the site useful. Second, keep ease of use for any interface or tool and rational on adding options and functionality while avoid complexity. Third, the flow state for creating a hedonic experience and keep ease of use need to be well plan and monitor.

Service operations

Online retail operation design is severely conflict with offline operations design. For example, warehouses designed for retailing need to accommodate large pallets and fork lifts while warehouses for e-tailing are human scaled in order to facilitate pick-and-pack operations involving smaller orders. The challenges that usually face by online retailing are begins with the response time of the Web server, moves to the amount of time the customer must wait until the order ships, and also includes the time the shipping process takes. Well dealing with those challenges with lead to a success for the online retail.

Atmosphere

Retail atmosphere is a function of the physical store setting, which is largely determined by cost of real estate and the various physical objects required to create different sounds, aromas, colors and lighting. Online constraints

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tend to be related to the screen resolution and the hardware that exists at the consumer end of the channel. The hedonic experience of a site can be enhanced with symbolic, nonverbal and escapist elements created by images, colors, fonts and more recently, streaming media such as videos and music.

Pricing

One clear difference between online and offline pricing is the greatly reduced menu costs (administrative cost to the firm of changing a price) for the former. Reduced menu costs mean that retailers can employ dynamic or customized pricing strategies. However, there is a danger to customized pricing which will lead customers reacted vociferously when they found out that different shoppers were paying different prices for the same item.

The technique of combining various products into bundles sold as a single unit can also be use in online retailing. The cost to the e-retailer of combining products is low, especially for information products, can be bundled with minimal or no additional cost to the seller. An e-retailer can reduce customers' perceived risk by selling a bundle, but the classic motivation behind bundling occurs when there is a negative correlation in reservation prices between bundle elements.

Assortment

Retail assortment is limited by the cost of holding inventory near the customer and the space needed for it, while e-tail assortment is more a matter of managing fulfillment and the customers' expectations of fulfillment

service levels. Online product inventory can be stored anywhere and in fact may not even be in the e-retailer's possession. The reduced cost of online inventory management as compared to the offline situation leads to a completely different strategy formulation, known as the “ long tail” strategy, which leverages taste heterogeneity and high assortment levels. The essence of the long tail strategy is to sell a small amount of a large number of products rather than a large amount of a small number of products.

Customer-to-customer value creation

To a much greater extent than previous media, the network structure of the internet empowers the consumer as a producer of communications and other content. There is a long history in our field of studying word-of-mouth processes, and marketers have turned their attention to the online environment where word-of-mouth can be further amplified by software that indexes, organizes, stores and retrieves it. While we do not always think of it as such, consumers are producing “ content” in word of mouth processes and in that sense online word of mouth is a category of consumer generated content.

Text, image and hyperlink design

In the physical world, the retailer and manufacturer share control over the presentation of the product. The manufacturer controls the packaging, but the retailer executes the visual merchandising and signage that provide the context for the package. Online, there is also a sharing of control but the e-tailer controls the product representation, as opposed to the product presentation, since the product per se is not physically present in front of the

customer. Instead, the e-tailer decides how to represent the presence of the product as part of the information mix for the site: images, text and hyperlinks among other elements. The e-tailer is constrained by the distribution of screen and window size, and screen resolution, in the target market, but most of all by the likely reactions of the market to design elements.

Page design

The main constraint in designing any particular e-tail web page is human attention. Human cognitive costs can in fact be quantified and measured during page processing. To browse a page, consumers must move their eye fixation point, read, comprehend and possibly move the mouse to scroll. It is fair to say that advertising researchers have explored the ways that consumers process individual Web pages more than retailing scholars.

Overall, site structure

Offline, the physical size and shape of the retail space and the laws of physics constrain store layout. In comparison, the layout of a web site is relatively arbitrary since any page can be made to link to any other page. Despite this fact, research on e-tail site structure has been largely limited to physical metaphors. While there is a lack of physical constraints on e-tail site design, the costs of cognitive effort and search time on the part of the visitor represent real challenges to the online marketer. Given these costs, in practice linking is constrained by a sort of micro-competition for clicks between links on the same page.

Network topology

“ Location” is a key variable in offline retailing. It has long been known (Huff, 1964) that travel distance is a measure of cost to the consumer and an important determinant of retail patronage. If we can maintain an analogy between physical space and the geometry that exists in a hypermedia environment with links, we can explore the notion of location in cyberspace. In such an analogy, the effort of a click is equivalent to a movement across a fixed distance, and so a page that is two clicks away is twice as far as a page that is only one click away. In that case the visitor’s effort is precisely double for two clicks as compared to one. Understanding the consumer’s travel costs is clearly important to understanding the nature of online competition.

Conclusion

It appears that long standing interests of retailing scholars have been applied to online retailing. This is both a good and a bad thing. The positive side of the phenomenon is that we can borrow from the rich set of results and theories and see which of these are applicable to e-commerce. The negative side is that our experience has led to blinders in terms of what sorts of phenomena should be investigated in online retailing, and in the theoretical approaches to which we have limited ourselves.

The online world is one in which the customer is relatively empowered. Customers are active; they do not merely listen and react passively. Instead they express their opinions, and their identities, online. The energy created in these sorts of C2C exchanges represents one of the central narratives of the internet, yet there is very little on the subject in the retailing literature.

Perhaps, the reason is that the consumer-to-consumer matching function that Amazon uses to connect reviewers with buyers is only possible through software-mediation; physical space does not allow it. The level of analysis for retailing phenomena is more physical while the level of analysis for e-tailing phenomena such as customer-to-customer exchange is more logical. It requires a different type of theory.

Likewise, constraints pertaining to physical stores and the physical density of consumers, or the lack thereof, make long tail retailing infeasible offline. Perhaps, that is why this key online trend has slipped under the radar of retailing scholars.

There is a strict limit to the number of possible store layouts imposed by the scale of human bodies and real estate; such constraints do not apply to hypertext, which has now been in popular use for more than a decade. Despite the rich literature in physical store variables such as atmospherics and layout; or perhaps because of it; retailing academics have focused on variables that are analogous to physical variables – like web site image – and have not looked at the logical environment created by hyperlink networks.

Each and every e-tailer, big and small, represents a potential experiment in web design. As has been discussed, there are difficult tradeoffs facing these myriad e-tailers. Should we emphasize transactions or relationships or community? Do we try to create a fun, or a useful, environment? Do we give the consumer powerful but complex tools, or keep everything as simple as possible? These questions play out at the level of the individual link, the

page, and the site and I suggest that they would make for interesting and rewarding research topics.