

Greater access to the internet has enabled buyers

[Technology](#), [Internet](#)



Greater access to the internet has enabled buyers to search more easily for information about potential suppliers of goods and services. This has significantly affected many industries, such as insurance, banking, retailing and travel. To what extent do you think that increased internet usage inevitably reduces producers' profits? Justify your answer with reference to organizations and/or industries that you know. Over the past decade, Shopping on the internet has skyrocketed with internet sales reaching almost ? 0 billion in 2012, which accounts to almost 10% of total sales in the UK. This is due to the increased possession of Internet devices such as: smartphones, laptops and computers. It has become much easier and simpler for consumers to buy products online using these devices. Increased internet security has also increased demand for online shopping due to customers being confident in undergoing an online transaction. Another advantage of selling items on the internet is that it gives you the opportunity to advertise your or another companies products.

Over 80% of the British population uses the internet regularly which opens up a massive market for advertising and for companies to show their products to users of the internet. However, results in increased internet usage have resulted in the decreased need for physical advertising such as: books, magazines and newspapers which have begun to prove more ineffective in advertising products. For example, a double paged spread in a popular newspaper can exceed costs of ? 10, 000 while costs of advertising on a high traffic website may only cost ? 200 a month.

Jessops has recently entered administration and is a perfect example as to how increased internet usage can reduce profits for some firms. Its target

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market was camera lovers, which prints out photos, sells cameras and a large number of accessories. Despite being an online retailer, Jessops failed to compete with the low prices of Amazon, Curry's and other online competitors. The internet has an endless supply of products such as cameras at a very competitive price. Some products would not be sold in Jessops but would be sold online resulting in losses of potential revenue for Jessops.

Another market which has slowly died is the demand for printing of photos, due to social media websites such as Twitter and Facebook people don't need to share their photos in a physical format and are capable of simply sending the picture via these social websites. In this case of selling products it was a massive drawback for Jessops but turned out to be an advantage for competitors such as Amazon. The increased number of internet users leads to benefits for Amazon who thrive off increased internet usage due to consumers finding it a cheaper alternative to Jessops.

The internet can also be a good source of primary market research which enables firms such as Amazon to analyze prices of different websites. This would give the opportunity for Amazon to perhaps reduce prices or introduce offers which would help them sell more products. I believe it is entirely up to the company, this kind of competition would perhaps not affect Amazon due to their size in the market and their reliability where customers instantly visit Amazon knowing they will be given a fair price and receive their purchased item quickly.

However, it did affect Jessops who failed to respond to demand and lower prices resulting in their imminent administration. I don't believe that the increased usage of the internet reduces profits as some firms can be

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incredibly profitable off of this. With the current state of the economy, people who are in need of high quality clothing have tended to move further away from worldwide brands such as: Gucci, D&G and Louis Vuitton and have moved closer to the retail shop Zara. Zara has blossomed over the past few years, both online and in the high street due to increased internet usage and there quick response to demand.

It is primarily down to the type of business and the level of competitiveness they possess. A large number of fashion companies are not focused on their usage of the internet and rely on customers purchasing these products physically from their shop which can be a major drawback in their market as they can't expand their popularity to the larger target market found online. From the examples supplied I do not believe the increased usage of the internet will reduce producers' profits as it will be down to the nature of the product and other related reasons.

Reaction to change online will affect the companies chances of success in the current economic climate however. The internet can provide an endless number of benefits for companies such as: easy shopping, safe transactions and more straightforward searches. The internet has proven to be more successful for companies such as Zara having a massive profit increase of 43% simply after the re-designing of their website making it simpler for the inline internet shopper. Although a company like Zara could earn an incredible amount from online sales this leads to high street stores failing due to the loss in numbers of customers.