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They are: ; Demographic Forces Economic Forces ; Political Forces ; Technological Forces ; Natural Forces ; Cultural Forces Introduction A significant economic effect of e-commerce is the reduction of transaction costs compared to traditional commerce. Transaction costs are the costs associated with organizing a transaction, starting with searching for a product, then negotiating for a price, and finally making the purchase. E-commerce reduces transaction costs by removing many barriers that were previously faced.

Customers who had to drive to a physical store, manually compare before buying, can now do this for many products inline, anytime, with the help of comparison shopping sites such as Flippant. For information on products which can be both bought and delivered online, e- commerce also reduces the product delivery cost. Across manufacturers, suppliers, warehouses, and stores so that products reach on time and at the right location. E-commerce platforms provide fast, synchronized exchange of supply and demand information between supply chain members thereby reducing costs, as well as increasing customer satisfaction.

E-commerce is also facilitated by technologies that allow easy communication across the world. Technology also has an effect on social issues, such as privacy. Its relatively easy to gather personal information about consumers on the internet. While companies have always looked for information about their customers’ purchasing patterns, the Internet simplifies this process and allows new types of information to be collected. MaJor companies such as Amazon endorse using clearly posted privacy policies on web sites that detail where and how personal information can be used.

On the positive side, companies generally collect customer information to provide more personalized service and to speed up online transactions. Amazon. Coma’s imbibes information about a customer’s past purchases with those of other customers with similar purchases. Since these data detail not only how much was sold, but also where and to which demographic groups, marketing campaigns can use these data to target customers and promote products in the market. While privacy addresses the customers’ control over their transaction information, security considers how such transactions can be protected.

Customers must be confident that credit card numbers will remain secure before providing them on the Internet. While fraud has always been possible, the potential for thieves to steal credit card numbers as been a big concern. To reduce this, companies use digital certificates to authenticate that they are who they claim to be, and not some fraudulent site stealing customer information. Certificate authorities issue digital certificates to companies. These certificates protect the integrity of customer data exchanged online.

Once the transaction data resides on the merchant site, firewalls can be used to restrict Internet access. E-commerce businesses may be completely online enterprises or they may be a mix of online and traditional business, wherein the Internet adds another channel for reaching the consumer. Of late, vast amounts of money is being poured into the rapid creation of web-based businesses and services. The information required by investors before they fund a new enterprise is overlooked during the rush to fund Internet-based companies that offer an appealing idea.

By contrast, traditional grocers, avoiding a purely Internet-based strategy, have more slowly entered the realm of e-commerce by combining traditional grocery stores and Internet order-taking. Other traditional retailers that rely on a solid existing distribution infrastructure, have capitalized on the Internet’s new sales channels while minimizing new distribution costs although most e-commerce start-ups generally start out lacking brand name and existing supplier-buyer relationships, both of which cost time and money to establish, often end up running out of money and the ability to raise more money before they can turn a profit. -businesses do face rigorous competition, and some businesses have become available to connect customers with the products and services they want, the Internet often effectively creates new competition. EBay, which effectively launched the online auction market, is an example of a successful e-commerce enterprise. Finding the right mixture of on-and-offline commerce is always a challenge. As is the case in traditional business ventures, the experience gained by the successes and failures of one generation of entrepreneurs can serve as case studies for the commerce leaders of the future.

Economic Forces In e-Retail The Driving Forces for E-commerce Are: Strong competition: Now competitions the part of any business and companies are implementing new techniques every day to bear their competitors. E-commerce is one of the tools of recent days, which is adopted by the companies. Global Economy: In Present Scenario world becomes a global village and there are standard patters in market for business, so every country must follow these norms. There is huge gap between the growth rate of developed and developing nation, so more and more developed nations are investing in every part of world.

E-commerce is the need of such a scenario. Extremely Low Labor Cost in Some Countries: Now this the common feature of business that companies are having manufacturing units in one are of the world and the same products is marketed in other part of the world. Definitely some medium is required to maintain it and e commerce is providing such medium. Frequent Changes in Market: As we discussed above that the age of technology so any change which takes place in part of the world, rapidly reflects every where so commerce it the tool which is necessary to sustain in present fast changing world.

Awareness Among Consumers: Awareness Among Consumers: Now consumers are well aware. Internet, print media and electronic media keep update the consumers about new products and their rates. Government Regulations: Every country have its own rules and regulations but now a days almost every country have well defined cyber laws which provides a right environment for the e commerce. Reductions in Government Charges: Now world is very open, some countries provides lot of rebate in tax and in other forms to do business. But some other countries reducing the soaps for business. E-commerce provides the opportunity to take these challenges.

Rapid Political Changes: Whenever government changes n any country there are some changes in guidelines and polices towards the business. It is also work as driving force for the e-commerce. Rapid Technological Changes: Technology is the factor, which provides e-commerce an opportunity to become and perfect solution for business. Access To New Technologies: New and secure technology available in the market, which provides an easy, cheap and secure platform for the e-commerce. Cheap Information Access: By using e-commerce we can easily efficiently manage secure medium for managing important information.

Digitization: The digital revolution has made it possible for digital devices to communicate with one another. The Internet’s massive growth during the past decades- a creation of market forces- will continue. Steady increase in computer power and decreasing cost made navigation on the internet. Low Barriers to Entry: The Internet has relatively few barriers to entry. Certainly, companies that operate online must often compete with traditional companies in the same industry. However, launching an e-commerce business operation is very possible for may entrepreneurs.

Many stay-at-home parents have turned handcrafted hobbies into global businesses thanks to their ability to set up a website and ship goods around the world. These low barriers to entry do also make for a more competitive landscape, though, with many companies often fighting for the same customers. Cost Factors: Economics is essentially about how to use limited resources effectively. One of the advantages of operating online is that certain costs re eliminated or reduced. You don’t have to pay for a building and storefront equipment. Additionally, you don’t have to have in-store sales and service workers.

You do have store and distribution center costs, though, assuming you make or resell goods. Having products sent from vendors after sale even allows you to work around this factor. Website maintenance and marketing are often the inherent costs in a successful e-commerce business. Macroeconomic Conditions: Macroeconomic factors are those that affect a society or population as a whole. In general, when economic conditions are weaker, consumers end to price shop and seek out lower-priced alternatives. The competitive nature of the Internet and its economies-of-scale advantages play well with price shoppers.

Many sites allow consumers to directly compare prices from one business to those offered by others. Price shoppers also don’t place as much onus on personalized service, which is a strength often promoted by traditional stores. Other Impacts: underlying economic conditions also contribute to expansion of commerce solutions. When economic conditions are favorable, online operators can often afford to invest in additional product acquisitions and promotion. They can also expand back-end business systems, such as distribution, transportation, logistics and inventory control.

All of these processes also bring with them investments in new labor. Strong economies also contribute to technological advancement, which propels the ability of e-commerce companies to provide top-notch solutions and buying processes for customers. Porter’s Five Force Analysis of e-commerce An analysis of Porter’s Five Force Model in the e-commerce industry can be done as follows: 1) Threats of Entrance of New Enterprises: There are no barriers to entry in this industry because firms have adopted a diversification strategy to sell, ii. The products available to customers are not very differentiated. industry. The industry is growing and the products that are being sold are not very differentiated. Some of the firms try to differentiate themselves by adding competition to make the customer spend more time at the site. 3) Bargaining Power of Buyers: There is a strong prevalence of this because it is easy to find other suppliers in the industry. They have no loyalty to the brand. They look for cheap & better products. They have lots of options in the industry. ) Bargaining Power of Suppliers: let is kind of low because the existing products in this industry are sold by many firms.

Bargaining power of suppliers is low because of existence of many suppliers in the Industry. 5) Threats of Substitutes: Len general, it is very easy to sell on the internet, so, there are threats of substitute products or service in the e-commerce industry. Products sold by one firm could be sold by others firms that are in the industry, for example, if the buyer do not get satisfied with price of a product, they can choose to buy other products that are being sold by another firm at a lower price.