

The internet will soon
make store based
retailing obsolete



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Using books and grocery shopping as examples, critically discuss this statement with reference to shopping process and people's motives for shopping and assess the potential of internet shopping and the threat that it poses to store retailers.

How many times have you used Internet during the past month? Can't come up with the answer straight away, the number is too big right? What about the past week? Same answer probably. Needless to say for good or bad Internet is playing major role in our everyday routine namely checking our emails, look through the latest news, communicate with other people or even do our weekly shopping. Nowadays we depend on it more than ever to get the job done. I even wouldn't be able to write this essay if it was not for the Internet. In my opinion the most important feature of it is the speed.

A famous equation states "Time is money". People value time more than anything these days and we all know that it is in the nature of most people to be greedy. This is why Internet has grown to be a part of our daily routine "it saves us precious and expensive time. Its convenience cannot be compared and matched. We rely on it for solving majority of problems that we have to cope with in our trivial round. However one might ask the question: Can I really do everything by the Internet and even if I could is it going to bring the same result and most importantly same satisfaction? In other words is Internet mature enough to take care of our needs? Firstly I may state that I believe the topic statement could be interpreted as true and false as different aspects have to be taken into consideration.

I attempted to segment the topic question into three key points. I identified that the duel between the old fashioned store-based retailing and Internet commerce is expanding to a greater extent throughout this decade and there are several layers that needed to be addressed. The first one is the shopping process in terms of convenience, satisfaction that brings to shopper and established habitual procedures by the consumer.

Second one is expecting further analysis on the motives when consumers go on a spree. Lastly I have researched on the potential of the Internet as a substitute of store-based retailing and what are the exact threats that it poses. Further on explaining what are the main advantages and possible drawbacks of both retail means. I tried covering perspectives of both retailers and consumers. Of course this suggests two points of view this is why I aimed to show the possible effects on both sides.

Finally in order to assess the issue properly the most important factor that must be taken into consideration is actually the nature of the goods the retailer is offering and willingness of the consumer to alter established habits of traditional store-based shopping. I have used books and groceries shopping as examples to illustrate the above statements. Moving further on I have linked them to the three aspects of the topic question in order to show how vital is the nature of the product that is being retailed and how strongly it is connected with the choice of retail route. There are two different retail formats to be evaluated ??“ traditional in-store shopping and online shopping.

The convenience each of them offers to the consumer would be the main issue in the analysis. According to Beauchamp and Ponder (2010) two are the main factors that a consumer considers when deciding whether to go shopping in the local grocery store or make it online ??“ these are time and effort. When shopping traditionally one considers the location of the store, the availability of parking spots and the store itself. Online shopping on the other hand requires some time to be spent for choosing the website, navigating through the site and after that waiting for the purchase to be delivered.

Extending my analysis further on I had to examine closely the convenience of the above mentioned shopping processes thus aid comparison between them. Beauchamp and Ponder (2010) identified four main aspects of retail convenience: access, search, transaction, possession. All these dimensions share one and the same goal: saving consumers time and effort and identifying the convenience of the shopping process. Each of them plays a major role in the decision-making process of the consumer.

Beauchamp and Ponder referencing Seiders et al gave accurate description of each aspect: ??? Access convenience??“ ??? the speed and ease with which consumers can reach a retailer?????? Search convenience ??“ ??? the speed and ease with which consumers identify and select products they wish to buy?????? Transaction convenience ??“ ??? the speed and ease with which consumers can effect or amend the transaction ?????? Possession convenience ??“ ??? the speed and ease with which consumers can obtain desired products???. Imagine you want to eat crisp tonight when you watch the game with couple of friends, or you want something sweet now but your <https://assignbuster.com/the-internet-will-soon-make-store-based-retailing-obsolete/>

order is not coming in the next day or so. Another important moment that needs attention is the fact that retailers should add value to the retail experience. Put in other words, retailers have to differentiate themselves from the rest of the competition.

Clearly there is Internet usage boom in every sphere of businesses.

Furthermore even sceptics that criticise the excessive usage of Internet are highly dependent on it and take benefit from it every day. It is the inevitable future it cannot be argued about it. Businesspeople are like vultures stalking their prey, they fight amongst each other in order to get the best starting position as everybody knows that being first gives you the tastiest and the biggest part of the share. Businesses are adjusting to the new trends trying to get ahead of each other??™s ideas and occupy the most advantageous position in order to make even larger profits. There are UK and US web sites, for example - (www.

mysupermarket.co.uk ; www.become.com) which purpose is to make comparison of prices and bargains offered by Internet retailers. Consumers can even combine products from different stores during one shopping spree and as a result to construct the best deal for them.

It is obvious that Internet retailing has become more appealing for the selling industry as there is higher demand by the consumer. Most of the giants that were first to enter the Internet grocery retailing such as Tesco, Sainsbury??™s, ASDA/ Wal-Mart, Ocado have established quite strong positions in this market already. This means they must have overcome the initial ambiguity and insecurity of being first entrants into a new market and they should be

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currently making large profits based on this fact. However, research done by Moreau (2007) shows that still ??? Internet retailing accounted for almost five percent of all retail sales in the UK in 2007??? and expanding example further on ??? E-commerce B2C product sales totalled \$146.

4 billion in the United States in 2006, representing about 6% of retail product sales in the country??? (Wikipedia. com). There is a reason why consumers still hesitate to shop online and the reason could be found in the nature of the good that is being sold. Otherwise at first sight Internet retailing looks as a perfect substitute of the annoying household chore grocery shopping for instance. A study conducted by Huang & Oppewal shows that ??? founders of the online grocer Peapod. com suggested that consumers regarded grocery shopping as the chore they dislike most next to going to the dentist (Corral, 1999). Similarly, a study by the University of Michigan found that among 22 favourite household tasks, grocery shopping came in next-to-last, just ahead of cleaning (Richards, 1996).??? Based on these facts I may state that another important aspect is the perception consumers have of the shopping process.

On the contrary one of the biggest online bookstore giants Amazon. com is making considerable leap forward in terms of profits (see Chart 1): Chart 1The difference of growth in online grocery and book markets is largely due to unlike character of the products. Of course I cannot omit the strong connection between the demand and supply in terms of the particular markets. Consumers want innovative and better ways of conducting a normal grocery shopping for instance but it is up to the sellers to provide it and everything is a question of costs and profits or put in other words the <https://assignbuster.com/the-internet-will-soon-make-store-based-retailing-obsolete/>

shopping model has to be lucrative to attract more investments. According to the article ??? Keep on trucking??? (2010) published in the website version of The Economist, one of the reasons for the popularity of the Internet grocers in Britain is that many city-dwellers do not have cars. For example Ocado??™s profit growth since the 2007 is 21 per cent and it is expected to be doubled by the end of 2014. But even though these facts sound promising Ocado ??? has yet to make a profit and seems unlikely to do so soon. In this it has plenty of company.

Most of its main British rivals are also thought to be unprofitable, though hard data are scarce??? The Economist (2010). There are several reasons giving an answer to the above mentioned statements. Although the shopping process of Internet retailing may seem much more appealing in terms of operating costs than traditional store-based retailing it turns out that this is not quite the case. We must have in mind that most of the on-line shops are outsourcing their packaging and shipping activities in order to cut costs. Enders and Jelassi (2000) remind us of another issue that online retailers face with. Those dealing with physical goods like books, clothes and electronics are often having serious supply chain management problems with external providers ??“ in order to grow they have to integrate more suppliers into their distribution system which increases the complexity of co-ordination. Running a store is connected with a lot of expenses wages of personnel, rent, transport, huge electricity and air conditioning bills, maintenance and a lot more.

Moreover these costs are proportional to the size of the store whether it is a supermarket or huge bookstore. It should also be mentioned that the <https://assignbuster.com/the-internet-will-soon-make-store-based-retailing-obsolete/>

physical-retailing model requires a higher investment in physical infrastructure in order to access new markets Enders and Jelassi, (2000). Extending my analysis on the article I found in The Economist (2010) Amazon. com which is recognised as the world's biggest online retailer could just engage more servers if they are overwhelmed by orders and/or ship items two or three days earlier. Obviously this is not the case with frozen groceries or fresh fruit and vegetables. So web sites at first glance are far less expensive to maintain. But this arguably is to a certain point.

Another thing to be mentioned when comparing the traditional store-based and on-line retailing is the fact that once you get into a store you are often bound to spend more than you have planned to and this is stemming from the placement strategies of products that supermarkets use. Still there isn't such an effective way of implementing these retail tricks in a website. Moreover consumers are not able to touch the actual product when purchasing it so this might be a problem for shoppers that are not so comfortable with new technologies e. g. elderly people.

Of course there are huge debates concerning the actual transaction as well. Uncertainty of navigating through a website, threat of money fraud and ambiguity of what is going to be the final sum that the consumer have to pay still overshadow this shopping process and are considered as major drawbacks by large part of customers. On the other hand we have to admit that Internet has made so many things obsolete.

Writing and mailing letters, records and CDs, video renting, etc. Most of the people even pay their bills on the Internet. Surely we still rely mainly on old

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fashioned communication and interaction between people like meeting on cup of coffee, or chatting on the phone or just hanging around discussing random stuff. But one can observe that partially even this communication and interaction has been made obsolete by the Internet having in mind the social networks that are so popular nowadays. Accordingly another factor to be analysed is the shopping motives consumers have and how these are connected with their lifestyle.

Grocery shopping might be considered an annoying household obligation by most of people but actually there are some that enjoy it. This is a way to cool-off from a stressing day at work, spend a little time with the family or just spoil themselves with things they have craving for. It could even be a meeting place for people to socialise and interact with other consumers sharing one and the same interest.

This emotional aspect still cannot be covered if shopping is done on the net. Sure, it can be quite easier but not so satisfying and this is a matter of personal choice in my opinion. For some customers shopping actually plays important role in their lifestyle. Book-trading on the contrary has been implemented quite successfully in the Internet environment. For example current market leaders like Amazon. com ??? enhance the shopping experience by providing reviews and making suggestions based on pastpurchases, customers can still use a shopping both to find and purchase the lowest-cost product??? Grewal et al (2004). Consumers could also find relevant information and feedback on the book they have chosen that would help their decision so the whole shopping experience is actually a treat for them and gradually becomes part of consumer??™s lifestyle.

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Concluding from the above discussion, whether Internet shopping is posing a considerable threat to the store-based retailing is not clear. What can be stated for sure is that on-line shopping is another way for retailers to sell their goods but most importantly it is quite modern. Without a doubt there are still a lot of aspects that e-commerce have to improve like security issues and its potential to generate more profits for retailers. On the other hand consumers value the fact that this is another alternative for them that is available 24 hours a day. Put in other words consumers can choose whatever suits best for them and at the same time have variety of opportunities ??“ better prices as well. As far as retailers are concerned this is another way for them to diversify their business. Although Internet retailing is not so lucrative for the moment it is an extra opportunity that is highly valued by the customers. The bottom line is that online retailing is an extra choice for the customer and has become a compulsory prerequisite for a retailer`s success.

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