

Virtual merchants



A Virtual merchant is any website which offers the sale of goods or services in a return for remuneration. [(Tatum, 2010)] Virtual merchants are essentially the same as a retail outlet, except they only operate online, example Amazon. They allow the consumer easy and instant access to view/purchase merchandise at the click of a button anytime and anywhere. Online stores are now being called e-tailers as they are highly popular with the general consumer.

For example in 2008 Amazon had over “76 million active customers accounts and order fulfilment to more than 200 countries”. [(DaveChaffey, last modified 13-03-2008)] Amazons success and domination in the market place is well known. Customers tend to stay loyal to the e-tailer as they are extremely reliable on delivery, have an easy and user friendly online interface and are constantly learning and establishing trading relationships with its customer’s example possible likes e-mails.

This loyalty aspect is one problem which most virtual merchants face and in Amazons case the customer orientated strategy they employ seems to be very effective at maintaining brand loyalty. “Relentlessly focus on customer experience by offering our customers low prices, convenience, and a wide selection of merchandise” [(DaveChaffey, last modified 13-03-2008)] Many trading merchants offer the virtual trading aspect to their existing physical business to stay competitive and diverse within in the market place.

This retail outlet coupled with the virtual merchant allows the business to appeal to a larger target market of potential customers, example the convenience shopper (online) and the physical shopper. This type of

merchant can be referred to as bricks and clicks merchant example Wal-Mart. The value proposition defines how a company's product or service fulfils the needs of customers (Kambil, Ginsberg and Bloch 1998). In Amazons case the value proposition is quiet simple as it aims to offer the world's biggest choice of certain goods and be extremely customer focused and orientated.

Amazon offers a personalised and customized service at a very competitive cost to their customers at the click of a mouse. According to Kambil 1997 and Bakos 1998, offering personalization, customization of product offerings and a reduction on product search costs are extremely important factors in developing a company's value proposition. A company's revenue model defines how they intend to generate profit and return on investment. In the virtual merchant market place there are several ways where profit can be generated.

Firstly there is the direct sales profit margin and in amazons case they don't have to rent retail outlets in busy high streets etc only merchandise warehousing storage etc, this accompanied with its online trading medium means that overheads, example direct contact with customer and reduction in sales support costs, are kept to a minimum allowing Amazon to offer an unrivalled selection and value formoney. This places Amazon extremely competitive within the market place. Secondly they offer other businesses space to advertise on their webpage for example Hewlett pacard, Thompson holidays, Travel lodge etc.

Virtual merchants are constantly looking to be dynamic and diverse in their service which they provide and different ways in targeting new customers. The e-tailer market is constantly growing as new users and accounts are set up every day. Amazon began in 1995 and have gained there competitive advantage within their market, they generated over 5 billion in sales in under a decade. When we compare this statistic with Wal-Mart (a bricks and clicks merchant) it took them twenty years to hit this sales figure. This is an indicator of how big and expanding the e-tailer market is.