The increasing popularity of e-commerce and the effectiveness of online retail es...

The increased usage and awareness of E-Commerce and online retail has greatly affected the way in which products are bought and sold in today's society. For this assignment I will be researching the effectiveness and efficiency of offline and online retail environments of clothing products. I will be using Porter's Value Chain Analysis to evaluate how value is created in e-business and I will then suggest significant improvements which I feel can lead to increased consumer use of online purchasing.

There are many differences between the online retail environment of clothing and offline retail environment clothing. The main differences between the two can be seen through their placement; presentation; security; merchandise and audience size; payment methods; and fulfilment. There are many advantages and disadvantages of both environments. Regarding placement, offline retail usually involves stores situated on the high street, towns, shopping malls, market stalls, and even big supermarkets such as Tesco.

This environment is usually referred to as " Bricks and Mortar". It involves a physical presence of the products and the physical presence of an agent or a seller. It involves face-to-face interaction, which a lot more people trust in comparison with buying clothes online. Online clothing retail involves customers visiting websites of clothing stores or online auction sites such as E-bay and buying and paying for the items over the internet. The clothes are then delivered to the customers or in some cases can be collected at a certain location by the customer.

With regards to security, shopping for clothes in-store eliminates the risk of fraudulent activity that sometimes occurs when shopping online such as; goods not physically being the same as what they have been described as online; clothes brands being fake; payment scams; or in some cases the products not even existing. This risk is eliminated when shopping offline for clothes as the customer can view the clothes, they are tangible objects thus they can get the best idea of the quality of their potential purchases.

Another advantage for in-store clothes shopping is that people can try on the clothes to see what sizes and styles suit and fit them. This decreases the need for the hassle involved in returning or getting clothes refunded. People also feel more confident paying for their products in-store with cash or a credit card than they would online as there can be security risks and fraud involved in online payments.

Overall people still enjoy the experience of going shopping for clothes, people go clothes shopping offline because they enjoy the " retail therapy" they enjoy the experience of window shopping, and being able to evaluate a product completely before they make a decision and buy it. The main disadvantage some people may see with offline clothes shopping is the opening hours of stores. People who have 9-5 jobs usually miss out on the shopping hours during the week and can often be too busy or tired at the weekend to start manually shopping for clothes.

They therefore may see the online option as more convenient and appropriate to the lifestyle they lead. Another disadvantage of shopping in-store only is that they often do not have as broad of a clothing range and are

not updated with new ranges and styles as often or as quickly as online stores. Bay Trading, a ladies fashion clothing company, have only recently set up their online store and already have claimed that new styles have often been updated to their website before they have even hit the high street.

The offline and online retail environments each offer two completely different shopping experiences to the customer. Online shopping is becoming increasingly popular and with some work on the security issues could almost make it as popular as manual " retail therapy". " E-business refers to a broader definition of e-commerce that includes not just the buying and selling of goods and services, but also servicing customers, collaborating with business partners, and conducting electronic transactions within an organisation.

Efraim Turban et al – Electric commerce, a managerial perspective, 2008 If we apply Michael Porter's Value Chain Analysis to the online clothing environment we can analyse how value is created in e-business. Porter's Value Chain identifies key activities which most businesses have in common. The following is a diagram representing Porter's ideas. -http://www. themanager. org/models/valuechain. htm The first activity Porter addresses is " Inbound Logistics" which involves how the raw materials are received, stored and distributed to manufacturing.

In he case of an online clothing business this would involve gathering all the materials (silk, satin, denim, cotton, nylon etc) necessary to meet the demands of the thousands of online shoppers, to make each item of clothing and ensuring there is sufficient storage space in the warehouse for them to

be stored in the best way possible, to avoid any deterioration with regards to the quality of the materials. Businesses should ensure they have an appropriate size of a warehouse also. It should not be too big as this would see the business lose potential profit as they wouldn't be making efficient use of their full capacity.

The materials are then transported to the manufacturing station next. The second step Porter refers to is " Operations" which entails all the assembling, machining and testing needed in the transformation process. It involves creating finished products out of the raw materials provided from step one. In an online clothing business this would involve a lot of sewing, knitting weaving, using special machinery to ensure the jobs are done accurately as well as efficiently and quickly, and cheaply as possible.

Obviously more skilled and experienced employees hired at the operations station will have a lot to do with the quality of the finished clothing. An experienced worker for example will cause less wastage of material as they will make less mistakes, they will make more items of clothing and of better quality also than a less skilled and experienced worker. The third step Porter explains is the " Outbound Logistics" step. This involves the storage and distribution of the finished products. This again for an online clothing company means ensuring the correct and appropriate size of a warehouse to cope with the demand of the clothing.

As well as this they need to monitor that they have the sufficient space to ensure the finished clothing items are not damaged before being distributed to the customers as well as ensuring they are making use of the capacity to

full efficiency at the same time. The clothes are stored here until they are then ready to be distributed. Following these first three steps will make sure a business's materials and therefore finished clothing items are in good enough condition be distributed to customers.

By following these steps very closely there should be less wastage created as a result of the well maintained material (less snagging and fraying will occur during operations process). This should mean the customers in fact should be very satisfied with their final purchases as they should be of high quality and this for the business should then mean less returns, and more profit. This step is therefore vital in adding value to the online shopping experience for both the customers and the business.

The customers will be satisfied with their better quality purchases and the business will save money on wastage and unused space and materials. The fourth step is " Marketing and Sales". This in the case of an online clothing business is when the advertising, promotion, pricing and channel relations occur. The customers learn about the new range of clothing for sale and the business learns more about the demands of he customers. The business will also get an inkling of the amount of orders they will have to distribute.

The final step of Porter's Value Chain is " Service" and this is where the business facilitates any needs the paying customer has in the future with their bought clothing. This may involve returns or exchanges being granted to them ads a result of their clothes not being of the appropriate quality or size for example. It is in the e-business's interest to provide this service for their customers, so they gain their loyalty and therefore profit in the future

thus adding value to the online business. On top of these five activities Porter mentions " support activities" necessary to add maximum value to any business.

There are four of these: Firm Infrastructure; Human Resources Management; Technology Development and Procurement. For the e-business, such as online clothing companies The Firm Infrastructure ensures the business has a strategic plan and a budget, essential ingredients for a business to control their finances and enable them to monitor their progress regularly so they become aware of any changes required to enhance the profits or the business's success in general. Human Resources Management is important for a clothing business as this is the recruiting and training process.

This should be done accurately in order top gain the best possible employees to work with the raw materials to create the best possible standard of final products and therefore result in customer satisfaction and loyalty which means better profits then for the business also. The Technology Development and the Procurement process is in the same way important. It is critical that the correct materials and machinery are chosen in order to gain maximum quality of final clothing and therefore customer satisfaction, loyalty and therefore business profit.

Overall, if Porter's Value Chain is taken into consideration by electronic businesses such as an online clothing business, value should be added to the transformation process of the produce thus gaining the company more business, better corporate image, customer loyalty and therefore profit and success. The advantages of online shopping outweigh the disadvantages in a

lot of cases. However there are some small changes that could be made to online retail that could increase the popularity of online shopping.

The following are three examples I have compiled and feel could enhance the online shopping experience and therefore increase online retail. i)Tighter Security Measures For those who are weary of shopping online because of the non face-to-face payment issue, all official websites could make safe payment transactions such as the " Paypal" approach mandatory when purchasing goods. Using such methods reduces the risk of fraudulent behaviour occurring, so if this was made mandatory for all genuine online businesses, more people would be inclined to shop online.

Another similar progress that could be used by all genuine online businesses is the credit card protection systems some websites avail of to ensure your card is safe when it is used online by verifying your identity before it can be used for a transaction. This would help more customers become more confident on using their cards online and therefore encourage them to shop online more often. ii)Introduce Discounts to gain a wider market segment Another factor inhibiting some people from shopping online is the fact that internet accessibility is still quite expensive.

What online retailers could do here is research what the most popular internet package deals people have are and they could then target them. For example if the most popular packages involve " free evenings" or " free weekend" surfing, for these times, clothing websites could have " happy hours" where there is some discount involved if you buy clothing from the website at those particular times. This would persuade more people to come

online and buy clothes, especially if they are discounted. iii)Increase awareness of internet shopping and its benefits.

Campaigns and promotions should be created to increase people's awareness and understanding of online shopping. Such campaigns should particularly target the older consumers in society who may feel intimidated by technology as they are not as used to it as the younger generations. The advertising should highlight the benefits of online purchasing and include guidelines of how to stay safe when purchasing online. This would make people feel more confident on online buying and therefore increase the likelihood of online shopping becoming more popular.

Overall the clothing industry can advantage by considering selling their produce online, especially if the businesses take Porter's Value Chain into account in the running of their organisation. This will ensure maximum value is created for their produce and their customers. There are still some big concerns involved with using the internet to buy and purchase clothing, none-the-less any clothing business should at least try out an online store as the benefits can come to over rule these bad points, as it can save a lot of money and time, therefore adding to the businesses profits and success levels.