

# [External analysis of online shopping industry marketing essay](https://assignbuster.com/external-analysis-of-online-shopping-industry-marketing-essay/)

## Introduction on online shopping

## External Analysis of Online Shopping Industry

## Introduction of Online Shopping

Anything that customers purchases affects environment by means of delivery, whether they have the product shipped at home or drive to a brick and mortar store(supermarket). In earlier days people used to go to different shops before purchasing as they didn’t have a great deal of easy access to information on products. Due to the development of World Wide Web it has now become easy to access the products available worldwide without wasting time, money and other resources apart from helping environment. Centre for Energy and Climate Solutions suggests that we can protect land and save energy by shopping online. (Trask, 2006)

Bricks and mortar store eat up lot of energy and resources. Online shopping retail companies stores goods in direct warehouse which saves cost of fixtures and glitzy gimmicks of brick and mortar store. The example of Ocado Group plc that delivers the grocery directly to the customer instead of shopping from the supermarket helped in controlling the carbon emissions. Many supermarkets such as Marks and Spence, John Lewis, Amazon, Carbon Cart etc. have their own websites selling are selling greener products and offering more choices to customers. Markham (1998)

Unless the online shopping criteria’s are met environmental benefits cannot be achieved. Environmental saving can only be achieved if the traditional shopping trips are replaced by the online shopping, or if at one time the 25 orders are fulfilled and delivered or distance travelled at the purchase point is greater than 31 miles. One drawback of online shopping is the extra packaging which increases the cost and wastage of material but the small but many online sellers like eBay uses the boxes for their goods delivery which can be recycled. Moreover the shipping miles can be reduced selecting location near to house.

## External Analysis of Online Shopping Industry

## PESTEL Analysis

## Political

The country is politically stable and the environment is suitable to promote online shopping industry. The government is all open to offer the infrastructural and policy support needed to make the experience of online shopping safer, efficient making it friendly to consumer, sellers and environment which will help them meet the standards of carbon emission and reduce green house gases set by The Kyoto Protocol and The Copenhagen Climate Council. The UK government is taking up broadband and digital media growth rapidly paving way for online shopping.

## Economic

Online shopping has the potential to create huge opportunities for innovation and economic growth in UK market which is facing recession. Online shopping will help in economic efficiency increasing competitiveness and profitability by mitigating environmental impacts.

## Social

Social awareness about environment is also driving people not to drive to the physical shops and buy online with increase in internet connection. The people are more technology equipped than before. Many retail chain such as Marks and Spencer, Ocado, etc are now promoting green concept to sell their products online and generating goodwill which is ultimately helping them to reduce costs and increase profits.

## Technological

Technology is one of the key drivers to successfully implement effective online shopping. The banking system and internet payments are some areas of concern but with improvements in technologies related to internet security such as in Amazon. com shopping experiences are becoming more convenient and safer. The countries, organisations and internet community must concentrate on technologies by using effective payment, delivery and storage means e. g. Ocado warehouses and deliveries, Mega electric cars, etc.

## Environment

Organisation are now challenging the status quo and thinking of changing the way of doing business because of energy prices. During the recent spike in gas prices online shopping brought some respite to these shops which incurred significant losses otherwise. Implementing online sales plan will assist a company to develop a baseline of energy use, actively managing energy use and costs, reduce emissions without negative effect on operations, continue to improve energy use and product output overtime and document savings for internal and external use eg. Emission credits.

## Legal

More environmental regulation from governments will also support energy efficient technologies such as online shopping. Consumer Protection (Direct Selling) Act 2000 helps consumer on issues related to online shopping.

## Porter’s five forces:

Bargaining power of Suppliers: as the online shopping is a huge network with many suppliers the bargaining power of supplier is not strong. Suppliers can be rapidly switched without affecting disrupting consumers shopping experience.

Bargaining power of customers: The customers of Schneider Electric have an equally strong bargaining power because of the easy of information available about other competitors. There will not much competition if the services and solutions provided have to be customised as per the consumer needs.

Restriction to new entry: The industry is expanding with new keeping the market open for new entrants. An innovative idea such as CarbonCart is sufficient to become successful even with limited resources.

Substitution effect: There are varied solutions to same problem for example electricity can be saved by insulation as well as improvement in technology. This keeps many substitution companies open to competition for Schneider Electric.

Existing competition: There are many competitors as mentioned above which can become potential threat in future. Schneider Electric has been successful in acquiring many companies to reduce competition and increase their market.

Key Players:

## Online Sellers

Argos is allowing customers to order goods through mobile phone by jumping in text messaging bandwagon.(BBC, 2002). Dell has been pioneer in direct selling proving that complex product such as computer can be sold without contact. Ocado Group plc (Ocado) is engaged in online retailing and distribution of groceries and consumer goods in UK. Ocado offers delivery of grocery products to customers centrally picked from a single highly-automated warehouse. John Lewis know from talking to our customers just how important energy saving has become to you, and we developed our own range of electrical appliances with that in mind. Aixam Mega sells light and private commercial vehicles with their key priority for environment. Their investment in product market and designs has made them leader in market of affordable diesel and electric vehicle.

## Opportunities for Schneider Electric:

“ You must be the change you wish to see in the world.” Mahatma Gandhi. Schneider Electric’s mission is to assist organisation and people make most of their energy. Their vision is to extract more while consuming lesser resources from our earth.

The company can involve itself in supplying part to vehicles such as those Designed by Aixam Mega, Ocado etc to help them become more energy efficient. This will help them to expand its business on the vehicle segments as well. Schneider can also start its online selling business on the lines of Amazon, Waitrose, Dell etc. using the direct selling model. This will help to eliminate distributors thereby reducing costs and increasing profitability. The company can use Bricks and clicks model where consumer can order online and pick goods from shop or get it delivered at home. The company can appoint various people as marketing agents to popularise and sell their products and earn commission. Schneider can use the text and take home service used by Argos to sell their products through mobile phone.

## Threat to Schneider

CarbonCart. com allows one to pick “ Green” products and create a positive impact by neutralizing more than hundred percent of the carbon emission generated from delivery. The makes consumer feel responsible about the contribution they make to environment by purchasing from CarbonCart. com. The direct selling model of Schneider will not be successful if people will buy more from such industries.

Online shopping model for company such as Schneider which sells technical products will have to backed up by large number of customer assistant agents which requires huge financial and human resources where the attrition rate is high.

## Segmentation

Integrated solutions are offered by Schneider Electric across multiple market segments having leadership in infrastructure and energy, building automation, industrial processes and data centres/networks, as well as large presence in residential application. Their business segmentation includes Electrical Energy, Water and Wastewater, Marine, Oil and gas, Mining, Mineral and Metals, Data Centres, Healthcare, Life sciences, Hotels, Retail, Energy Efficiency, and Machine Control Solutions.

## The company can segment online market based on

Direct customers: These are the customers who have purchase product directly from the company. The direct customers will get maximum price advantage in product and services.

Distributors: these customers have purchased our product through distributor network operators (DNO’s)of company’s product. The distributors will be given fixed targets and will be allowed to sell our product in their name and below our price. This helps company to increase sales and avoid dealing with individual consumers. Through the company DNO’s can reduce maintenance and installation cost with superior network design.

Direct Agents: The agents are our customers who have sold company products to their customers. These agents will sell products at higher prices and will be given incentives on sales.

## Conclusion:

Online shopping is the new mantra of selling products effectively and efficiently but the criteria must be met. Schneider must change its selling models by adding online selling for increasing their market share and contributing to environment. Shopping centres have edge on experience and customers services but online shopping has edge in range of products, convenience and prices.