E-Commerce Market & Distribution

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Virtual E-Commerce Marketing & Distribution

With the onslaught of the internet, current credit crisis and high fuel cost, businesses are adapting and changing to find new ways to reach customers and potential customers. The Internet has begun to make its presence known as an alternative and potentially highly competitive distribution channel. Retailers in U.S. and Europe are building virtual stores fast, The Asian retailers are more cautious, and have been slow to build virtual store fronts. The market for virtual distribution is rich with growth opportunities. The market is popular with the high end shopper who wish to survey about various types of products available in the market and choose the best. This distribution channel brings to the table virtual shopping opportunities and a good alternative to contemporary distribution methods. Virtual distribution would allow manufacturers a new and more efficient way to reach to customers and channel partners.

Commerce Hub, the Supply-on-Demand platform for supply chain integration and fulfillment solutions, implemented a supplier-direct distribution network for www.meijer.com, the new plan of Grand Rapids, Michigan-based Meijer. The new plan will enable meijer.com to present a more expansive product line than offered in the 181 Meijer supercenters, featuring online exclusive products and pricing.

The Commerce Hub Supply-on-Demand concept provides complete control to manage the supplier-direct process at the same time continuing to provide the same level of brand management, fulfillment performance and customer service Meijer has become known for in its retail supercenters.
Challenges Facing Traditional Companies

In the last ten years, many start-up e-commerce companies have rapidly stolen market share from traditional retailers and service providers, putting pressure on these established traditional companies to deploy their own commerce websites or to alter their company strategy in retaliation. This effect is most notable in travel services and consumer electronics industry. According to comScore, online leisure travel bookings reached about $51B in 2005, or 44% of all online sales, which were around $122B in the same year. Roughly 30% of all travel bookings currently occur online. Consumer electronics, which includes the purchase of digital cameras, mobile phones, and home PC’s, accounted for nearly $26B of worldwide e-commerce sales occurring in 2006, according to the NPD Group.

As traditional companies continue to lose market share to e-commerce companies, they will likely continue to see declines in their revenues, operating margins, and profits. It is important to note that most e-commerce companies are at a competitive advantage to retailers. They have lower operating expenses and better inventory management due to operating in a virtual commerce environment.

Amazon.com has revenue per employee of nearly $850k while its retail counterpart, Best Buy, generates revenue per employee of only $270k. As you can see, e-commerce vendors will have the most to gain if they successfully disrupt retail customer acquisition, and under-price retail establishments. As a consequence of e-commerce vendor gains, financial transaction processors and parcel shipping companies are among the secondary vendors who will gain.

Economic activity and total retail spending are main forces to the growth of e-
Commerce along with rising oil prices and gasoline costs benefit e-commerce companies, for it is more expensive to drive to stores than to use the offline retail stores, shopping online. e-commerce stores have established their customer base and positions through low prices, better customer satisfaction, and convenient interfaces. The largest retailers, such as Wal-Mart, Target, and Best Buy are finding it very hard to gain a sizable market share online. Sony is another e-commerce company benefiting from online market share. For Sony and companies like them online visibility and availability is must. Another benefit of e-commerce in some cases, taxes are not charged which attracts a lot of customers. But with State and local governments putting forth proposals of taxing online stores this may change.

**The Future of E-Commerce Marketing & Distribution**

Despite the fact that online sales are growing, some analysts believe that e-commerce is heading for a fall. Laurie Windham justifies her belief that as time goes on, sales will decrease instead of increasing. Windham believes that net consumers are very different than mall shoppers and catalog shoppers. Furthermore, she says that dot-coms are responsible for ruining their own chances to sell because they have spoiled customers to the point that consumers expect cheap prices and freebies and if they don't get them, they just move on to another site. E-commerce, Windham says, is a fickle world with little, if any, customer loyalty (Fortune, 2000). But in her assessment of the industry and moving ahead eight years later her predictions were a little skewed. And with the current credit crises and high oil and gasoline prices it has increased sales.

According to the National Mail Order Association “Today’s, Internet retailers offer a stable shopping environment, and many are showing a healthy profit margin. At
the same time Internet users are becoming more sophisticated in utilizing multiple shopping channels to research and buy products”. Jeffery Grau (2008) posited that e-commerce "In its infancy online shopping was the purview of well-educated, high-earning, 20- and 30-year old single, white males. Today online shoppers closely resemble the US population as a whole." Online shopping is one of the most popular Internet activities and online buying one of the fastest growing Internet activities. The e-commerce marketing and distribution, once dominated by Internet-only retailers, is now a mix of online and traditional retailers' Web sites. With comparison-shopping sites, such as Shopping.com, Yahoo! Shopping and Shopzilla among the top retail Web stores, is evidence that consumers are using the Internet to compare products and retailers (comScore Media Metrix).
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