E-tailing –Exploring New Horizons in Retailing

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Abstract

Retailing has witnessed a dramatic change in the business across the globe. The term e-retailing or e-tailing is the buzzword used in most of the retail organizations. This has given way for the retail outlets to do business over Internet. Most of the organizations are transforming their business models in electronic format. The acronym E-tailing represent the electronic mode of retailing or Electronic retailing which means the business process is done through E-Commerce Websites. The website acts as a front end which reflects the transaction process on the website. The study is an attempt to understand the various aspects of retail business process like merchandising, order fulfillment etc.,.Besides this, to know the business models available to retailers.

Keyword(s): *e-tailing, retailing, internet, e-commerce, apparels*

1. Introduction

At a basic level, any commercial transaction that involves a direct sale to a consumer at any point of time may be termed as retailing. It can be the selling of apparel, books, music, footwear, grocery items or other things. Such a retail trade could take place in a shopping mall, a mom-and-pop store, a department store, and hypermarket or in a friendly neighborhood grocery shop. Most of such retail trades that can be done through the brick-and-mortar retailing route can be successfully replicated over the Internet as well. In the traditional sense, the term Retailing referred to the final transaction between a business and a customer (B2C).

The acronym E-tailing stands for electronic retailing or e-Retailing. It is the concept of selling of retail goods using electronic media particularly through the Internet medium. There are thousands of storefronts or e-commerce sites on the Internet that are extensions of existing retailers. Penetration of computers and proliferation of the Internet has given rise to many new forms of businesses, such as business process outsourcing, call centre based customer relationship management, remotely managed educational and electronic retailing. E-retailing is an independent business model with specific process involved in it. This paper discusses about the business models in an apparel segment. In general Internet Serve as a communication backbone for the business. Eventually, the models give way for the company to follow a right format to generate revenues and restraining the brand image of the company by putting right strategies in place for example display of right merchandise on the websites. Usually most of the websites are designed around an electronic catalogue format with specifications of the merchandise and auction sites.

With recent research confirming that more and more shoppers are choosing to buy apparel online rather than on the high street. Retailers and brand owners need to evolve their business models towards a multi-channel strategy. It is priority for many companies to invest in e-commerce

considering the critical factors to achieve success in the business. This article takes a look at various factors which transforms a traditional model to Click and mortar business model.

E-Retailing, either as an extension of the existing retail business or an altogether new start-up, has many advantages. Traditional brick-store retailers are placing more emphasis on their electronic channels and evolving into multi-channel retailers to increase their reach and support their retail channels. The new start-ups in e-retailing can be launched from a small room with one PC attached with the outside world through the Internet.

Review of Literature

Lisa H. Wilson (2001) Retail Industry Study has mentioned that many of the advantages of e-commerce were first exploited by retail 'e-businesses' such as Amazon.com, eTrade and Auto-by-tel which were created as Internet versions of traditional bookstores, brokerage firms, and auto dealerships. Freed from the geographic confines and costs of running actual stores, such firms could deliver almost unlimited content on request and could react and make changes in close to real-time. Compared to traditional retail or catalogue operations, this new way of conducting business is changing cost structures. The emergence of these e-businesses has made their 'bricks and mortar' competitors consider their own e-commerce strategies and many now operate their own online stores (e.g., Barnes and Noble, Merrill Lynch).

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The most valuable aspects of Internet shopping as compared to store-based ad catalog shopping are typically perceived to be competitive pricing, one-source shopping, convenience and time-savings (Corral, 2000).

(Machan, 2000) According to Xceed Intelligence, the apparel industry has traditionally been slow to adopt new business practices, and the outdated practices have consequently slowed down adoption of e-commerce (Masters, 2000).Often heard argument behind the slow take-off lies in the fact that the consumers perceive clothing as products that have to be seen, touched and tried of before the purchase. In addition to the inability to touch, feel or try on clothing on the Internet, consumers have been concerned with returns, security and costs (Kelly 2000) – worries.

Enhanced communication and interaction along the value chain appear to be the main reasons the Internet is used in the business-to-business side of apparel business (Gertner & Stillman, 2001). Forecasting and logistics processes will continue to become exponentially complex, as a great majority of apparel products will continue to be shipped from international manufacturing plants, and as inventory of finished products shrink, retailer assortments will likely grow (Welling, 2000). In the short cycles of apparel seasons and fashions companies such as Capstan Systems who target shippers that specialize in "economically perishable goods" such as consumer electronics and apparel can become key players (Cottrill, 2000).

Young Jun Choi1, Chung Suk Suh (2005) reported that the development of the internet in the 20th century led to the birth of an electronic marketplace or it is called e-marketplace, which is now a kernel of electronic commerce (e-commerce). An e-marketplace provides a virtual space where

sellers and buyers trade with each other as in the traditional marketplace. Various kinds of economic transactions and buying and selling of goods and services, as well as exchanges of information take place in e-marketplaces. E-marketplaces have become an alternative place for trading. Finally, an e-marketplace can serve as an information agent that provides buyers and sellers with information on products and other participants in the market. These features have been reshaping the economy by affecting the behavior of buyers and sellers.

2. Business Models

B2C e-commerce is a phenomenon involving many different types of retailer, different products, different approaches to the organization of the supply chain, and hence a wide range of models. The model in which firms operates is given below:

- **Bricks & Clicks or Bricks & Mortar :** The Firms which come under this category already existed as traditional retailers (with physical premises for their sales) but made a transition to e-commerce by offering their products on the Internet.

- **Clicks & Bricks or Clicks & Mortar :** The firms which launched directly into e-commerce i.e. have no sales physical outlets but subsequently added a logistical back office.

From the point of view of the transport implications, it is useful to distinguish a wider range of types of B2C e-commerce:

a) **Retail chains who have added the option of online orders to their normal operations**:

In this category it is a development of B2B e-commerce (since an electronic media is used to contact the customer directly instead of through a business, i.e. a retailer)

b) **Small apparel retail businesses offering a specialized service or product line**:

In this category small retailers can include businesses of very diverse type and often offering a very narrow product range or highly specialized service (specialized sportswear, custom-made clothing etc.,

c) **Mail order companies who have extended into online ordering**:

In this category for mail order firms, the transfer to e-modes is a relatively simple process, as it affects only the purchasing end of the process rather than the delivery network. In this respect, due to their experience in distribution, they have a considerable advantage over new e-businesses. The failure of the many e-tailers has been put down to lack of experience in logistics and inability to deliver orders reliably and on time.

d) **Wholesalers using e-commerce to sell directly to customers:**

In this category E-commerce has made it feasible for some producers/ wholesalers to offer their products directly to customers and hence eliminating the retailer as inter-mediary.

e) **Pure "e-tailers"** (online retailers without physical outlets).

The relative weight of each category is changing over time, and varies according to the country, as it is influenced in part by the retail structure. In countries such as Italy

which has a large proportion of small independent retailers, these tend to be better represented than in countries, such as the UK, which are dominated by large retail chains. The impact of e-commerce on the logistics of the delivery chain is very different in each of the above categories. It is therefore important in the future to be able to monitor the development of each of the category. Below we look at typical delivery chains being used for supplying goods ordered online, and relate these to the different categories of retailer.

2.1 B2C E-commerce

There are certain essential parameters for an electronic retailing business to be successful. One must consider these components well in advance before setting up an electronic storefront.

The process of procurement, storage and logistics in e-businesses is different from that in traditional brick-store businesses. The e-retail organization has to carefully redesign and integrate various processes to suit the new e-business. Traditional sections of departments and management hierarchy may pose hindrances and bottlenecks in the process of order processing and shipments. For example, the traditional business may require the goods to be present at the warehouse and inspected before being shipped to the customer, but in electronic retailing, shipping of goods from one place to another to a customer would not be possible. The retailer may appoint a local supplier at the city where the customer resides and instruct the supplier to deliver the goods. This would require by passing certain business rules and a lot of faith on the local supplier. It would require business

confidence that the supplier would follow the instructions and deliver the same product in good quantity and perfect quality. Merchandise planning and demand analysis is also difficult in e-retailing, as compared to traditional retail businesses.

In apparel industry companies are caught between a rock and a hard place. Product costs are rising and prices are falling. Companies need to find ways to reduce their costs. E-Commerce enables a company to dramatically reduce the cost of taking orders by letting the buyer do the work. It is particularly beneficial when working with end consumers or many smaller or low volume business customers.

Business-to-consumer (B2C) e-Commerce goes much further than business-to-business (B2B) as it is a powerful marketing tool and can connect the seller directly to the end consumer to drive higher margin sales revenue. It also provides an excellent opportunity to gather customer data and build strong brand loyalty. Business-to-Consumer (B2C) e-commerce portal helps the consumer to know about the specifications of the merchandise available in the website.

E-Business formats differ from one category to an. To incorporate the required business format one should be able to understand the needs of the consumer in business processes. For example, if the Apparel Retail Store is following E-Catalog format, the website provides the database of new merchandise and services to be promoted on it. Besides this, the price tags for the merchandise are displayed on the storefront. To have the right model, the website should be designed in such a way that the interface should be user friendly.

Fig. 1 illustrates some of the delivery

solutions which exist for online buying. The three most common basic alternatives are described below:

The supply chain on the left - [1] shown in **yellow** represents the case of direct delivery from the producer or supplier to the customer. This is possible when customers are able to order online directly from the supplier/producer, or when the retailer passes an order on to the supplier. It is a possibility favored by e-commerce and has obvious advantage for suppliers (since the retailer is cut out of the supply chain), but is currently limited in its development due to the lack of experience on the part of suppliers in organizing the logistics.

The supply chain in the centre - [2] shown in **orange** represents the arrangement which is most common for small/medium sized retail stores. In this case the order management is undertaken by the store itself and the goods delivery made directly from the store to the customer. From the transport point of view, it is the system most similar to the traditional way of shopping - the effect is simply the replacement of the customer's shopping trip by a local delivery trip which, when possible, is chained with other deliveries in the same area.

The supply chain on the right - [3] shown in blue represents a new distribution pattern made possible by B2C e-commerce and consisting of the setting up of 'e-fulfillment centers' at which orders are picked and dispatched. They tend to serve large regions and sometimes make use of 'intermediate' van centres for the local delivery.

E-tailing model: Kalahari.net

Kalahari.net is a South African based business model. It is a web and internet facilitated business which sells products
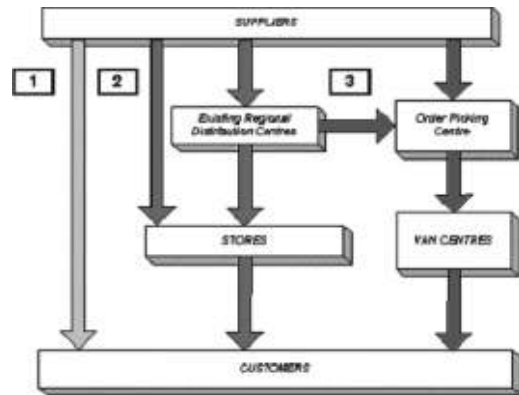
**Fig 1: Alternative solutions for B2C e-commerce deliveries**
Source:
http://www.trg.soton.ac.uk/rosetta/workareas/5a_etd/etd_pr1_present.htm

such as software, hardware and health care goods.kalahari.net has a number of online partners through which products such as ticketing solutions to theatres and major events may be bought.

Database plays a vital role in e-tailing model of the company. Kalahari is linked to approximately 400 supplier databases all over the world-these ranges from 2 million products down to only 2 products. A primary Kalahari.net database houses all product information (figure 2). Extreme care is taken to ensure the accuracy of the data. There is no room for errors.

Suppliers are totally responsible for providing the data to the primary databases each day. Since it is not possible to manually check such a huge stock database, exception reporting takes place to identify the errors. For example selling price is lower than that of cost price. In addition to exception reporting, a suppliers report is maintained to determine how many suppliers have actually sent through an updated file, at what time did the report come through and how long did it take to upload.
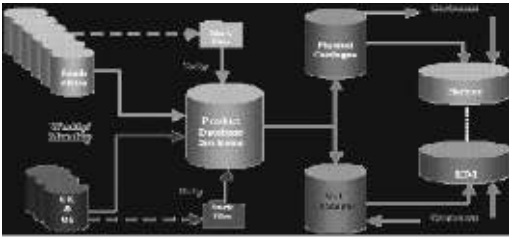
Fig 2: Ensuring suppliers update the database with accurate data is an all important business process. (Source: Kalahari.net)

Ordering and fulfillment

The Kalahari.net Management System which is essentially a CRM system handles all ordering and fulfillment processing. Central to ensuring that these key processes function smoothly, is once again the integrity of the data being handled.

KMS is used to monitor the purchasing cycle. Orders to suppliers are compiled twice daily and depending on the facilities available at the supplier end, these are EDI, FTP and email or manual (via fax).All transactional data relating to orders in the pipeline are handled by KMS.

Without a database there is no website and with no website there is no business. Data is needed to allow us to feed the site. Information is available on the website. What the stock availability is? Our pricing, the number of days to deliver and number of days for products to arrive is essential. We

monitor the supply chain closely. Where the stock is coming from? How much is international or how much is local? The weight, the volumetric mass, delivery dates, when will the customer receive an order, how many customers did receive on time, how many did not to mention only some of the issues.

## 3. Factors required for Online Business formats

The factor required for the e-commerce is **website**. The aesthetic and easy handling facilities are two important terms in this relation. The aesthetic provides initial attraction along with keeping the visitor long held with the site. The maneuvering easiness keeps the visitor surfing it for long.

The **aesthetics** of the website must provide soothing look and feel and clarity of objects or scripts to the visitor along with sufficient ergonomic considerations, so that the visitor does not feel tired at the earliest. The careful placement of buttons and links provides ease in handling it.

Finally, the **transparency** of services creates faith on the visitor of the site as well as on the customer of the business. Various factors listed below will add more features to the website

- **Strong Branding**

    The Website should reflect the Brand
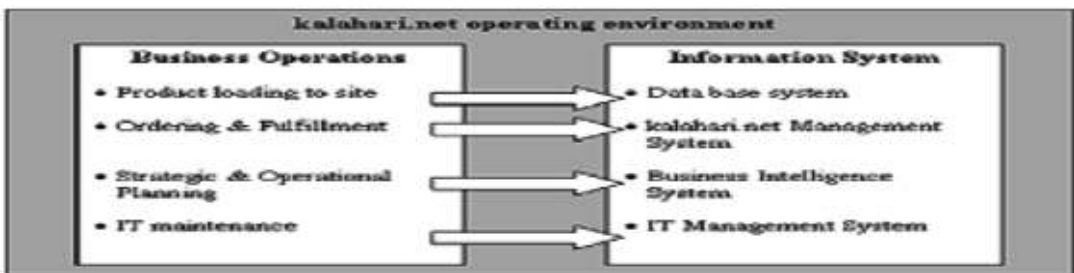
Fig 3: depicts 4 central Information Systems at Kalahari.net

image of the company rather than cluttering with many images and information. Company can generate Revenues by enhancing the store image of the Website. Eventually, the brand equity can be build upon it.

*   **Unique Merchandising**

    The merchandise offered by the storefront should be unique as the name suggests and carry the brand image of the product or service.

*   **Value Addition**

    When the consumer buys the product online the storefront should be able to give value added service to the consumers.

2. **Few Challenges in E-tailing**

·   **Channel Conflicts**

Companies selling through the Internet as well as through brick stores may find their interest conflicting at many places. In electronic storefront orders, the goods directly reach the end-consumer and so the distributors and sellers may feel the threat to their existence. Most of the time, it is seen that retailers tend to reduce price over the Net. The sale at the brick store may store may drop because the retailer may tend to sell more through the Internet as a result of reduction of prices.

*   **Legal Issues**

    Proper laws have not yet evolved for Internet based transactions. Validity of e-mails, digital signatures and application of copyright laws is being checked by various government authorities. E-mail and digital signatures are now being recognized as valid for any legal purpose. Value Added Tax (VAT) is yet another area that creates problems. Taxes on

goods and services are still an issue. Since the taxes are levied and shared by multiple government agencies at local, state or federal level, there are no clear rules to guide retailers on that. In e-retailing, the place of billing, the place of dispatch of goods and the place of delivery all differ. If these three places fall in different jurisdictions of governments, levy and submission of taxes would be a problem.

*   **Security and Privacy**

    Security is one of the major challenges in the digital world. Despite a lot of security arrange-ments, such as passwords and firewalls, we come across the news of website hacking and data pilferages. The Internet being on public domain is more susceptible to unauthorized peeping. People are wary of divulging information regarding their credit cards and personal details on the Net because they can be misused. Cyber criminals have exploited the Internet weaknesses and have broken into computer systems, retrieving passwords and banking information. Security of payment gateway is a major concern, which has to be taken care of by the retailer by putting up proper security layers.

*   **Strategy, focus and ownership**

    Most retailers and brands have put a toe in the water with a marketing website and perhaps introduced some basic form of e-Commerce. However, e-Commerce has often been handled as a small side line with no designated executive driving it and potential customers often left to

stumble across the e-Commerce site, rather than being managed as an important sales channel. Making a success of e-Commerce requires a clear strategy, ownership and laser focus.

3. Merits of E-Retailing

1. The electronic channel gives the existing brick-store retailers an opportunity to reach new markets.

2. For the existing retailers, it is an extension to leverage their skills and grow revenues and profits without creating an altogether new business.

3. E-Retailing overcomes some limitations of the traditional formats, for instance the customers can shop from the comfort of their homes.

4. The e-commerce software that also traces the customers activities on the Net enables e-retailers to gain valuable insights into their customers shopping behavior.

5. The e-retail channels transcend all barriers of time and space. The retailer's server must be on 24*7. An order can come from any customer living any place at any time of the day.

6. E-Commerce channels are definitely efficient and retailers do not have to pay a heavy price for brick-n-mortar shops in costly shopping malls.

Conclusion

As we can observe in the Retail industry there is a sea change in the existing retailing format as it is evident from the fact that most of the retailers are transforming the retail format into electronic format i.e., e-tailing or e-retailing for specific category of Apparel products. And there are retailers who wish to stay with the current business model with plethora of offline retail activities lined up as against the pure e-tailers who are directly in the electronic format of retailing (E-tailing). To conclude, retailers will make a choice to be a pure e-tailer or to have store with online formats.

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