Retail Technology and the Internet

How is Ecommerce used by Retailers?
- Sales to Consumers
- Supply Chain Management
- Customer Service
- Build a Relationship with Customers
- Grow a Business and Reach New Segments
- Special Offers and Coupons
- Customer Feedback
- Provide Information to Consumers
- Promote New Products

Online Retail Sales are Rising

- In 2005, online retail sales are expected to be $172 billion (up 22% from 2004)
- Internet sales account for 5.5% of all retail sales
- Largest category: Travel at $62.8 billion
- Fastest growth categories: flowers, cosmetics, jewelry, luxury goods

What are the Biggest Benefits to Businesses?
- Efficiency
- Broaden and Deepen Customer Relationships

Reasons Consumer Use the Web
- Seeking information
- Entertainment
- Looking for “value”
  - Good Prices
  - Convenience
  - Choice

Price Comparison Sites
- http://www.shopping.com (bought by EBay)
- http://www.shopzilla.com
- Consumers who use the comparison sites spend 25% - 30% more on the web than those who don’t (Forrester)
- They save 18 - 20%
Next Generation of Price Comparison Sites

- http://www.Smarter.com
  - Additional coupons and retail discounts
  - Fraud Insurance
  - Sidebar with special offers and product reviews
- http://www.dealio.com
  - Toolbar alerts you to other lower prices
  - Product info and research on same page

How is the Web changing the way Business is Done?

- Mfr. must send a single item to a consumer vs a truckload to distributors
- Capture and use customer information – develop databases
- Buyers have more bargaining power than sellers
  - http://www.bizrate.com
- Small firms have more opportunities
- Alternative distribution channel - http://www.sneakerpimp.com

Types of Web Presences

- Brochure Web Site
- Commerce Web Site
- Web Site Integrated with Existing Processes
- "Webified" Store
- Site Integrated with Manufacturing Systems

Successful Strategies

- Dell uses the Internet to the advantage of both consumers and suppliers
  - Customers can track orders and get service information
  - Suppliers can plan production and lower inventory

Lessons Learned

Groceries
- Demise of Webvan, Streamline.com, Home-Runs.com and ShopLink.com
- Traditional Firms are building online services to increase overall sales
  - Stop ’n Shop has http://www.peapod.com
  - Safeway has http://www.GroceryWorks.com
    - Fills orders from existing inventories in stores and only invests in more trucks and grocery pickers

Furniture
- Demise of Living.com, Furniture.com, Goodhome.com
- Success with Regional Furniture stores catering to online shoppers like http://www.furniturefind.com
  - Maintains no inventory, items are built when ordered
  - Keeps a close eye on deliveries and offers free deliveries on orders over $1499
  - Sends swatches to customers (for touch and feel effect)
  - Staffs call centers 7 days a week
  - Sponsorship fee to Yahoo to come out on top of browser search for "furniture"
Lessons Learned

- Wine
  - Demise of wineshopper.com and winebuyer.com
  - Success of http://www.wines.com/ by eVineyard
    - A virtual retailer with a virtual inventory that only offers wines available by regional distributors
    - Expanding slowly and moving state by state to get licensed as a retailer

Bricks and Mortar Retailers on the Web

- Dilemma
  - Whether to offer discount pricing on the Internet

- Advantages
  - Distribution and inventory

- Synergies between Bricks and Clicks

- Is Cannibalism a Problem?

What kinds of Investments do E-Retailers need to potentially make?

- Warehouses, conveyor belts, and scanners (shipping) vs outsourcing
- Customer service centers
- Technology

Another Possibility: Drop Shipping

- Allows small online retailers look big
  - eBags sells nearly 8,000 backpacks, purses, suitcases, etc. but maintains little or no inventory of their own
  - Rely on mfrs. or wholesale distributors to ship products directly to customers
  - Internet links retailers, mfrs., and suppliers

Drop Shipping: How it Works

- Retailer takes an order
- Electronically transfers it to the mfr. or distributor
- Drop shipper packages and ships it in a day or two in the retailer’s name

InSourcing: UPS

- Synchronizing global supply chains – not just delivering packages
- Reinvented themselves as a Dynamic Supply Chain Manager
- UPS helps small companies act big and go global and big companies act small

- The World is Flat – Tom Friedman
Using the Internet to Understand Consumer Behavior

- Cognitive Computing
  - Improve web sites based on consumer preferences to make them easy and intuitive to use

- Findings:
  - As clicks required for a purchase go up, actual purchases ↓
  - Visual cues used more than text

Using the Web to Understand Customers

- Track preferences through click patterns
- Provide custom tailored ads and promos
- A site can recognize you and be tailored to your taste

New Software

- Create databases based on what customers buy
- Site acts like a personal shopper and friend that knows you