

The future is in platforms, what will be the impact be on webshops and physical shops



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Introduction:

No one can doubt the success of the Internet, be it the big organisations or consumers. In our daily schedule, Internet has become a necessity. It offers us a life style we can all appreciate very much and we cannot think of leading a life without the Internet. Imagine when we want to get information about a company or a product which we intend to buy; we surf to the most popular search engine “Google” and in a couple of seconds we receive plenty of links. Two decades ago, we lost half a day for the same search for information. The Internet makes our life much easier and effective.

The emerging market-driven companies in various industries, particularly the retail sector are very well aware of the fact that Internet is playing and will be going to play a major role in the way the business is conducted, in the coming years. Internet will be used more to explore new market places, to grow in market share, to deliver customized services and products and so on. In addition, the retail sector has the advantage of having a direct connection with its loyal customers. They can quickly identify market needs in order to respond immediately to the market changes and challenges. We might say that the fast growing Internet-use by the end-customer, one of those market changes, pushes the retailer to think seriously about his current business models and how to best deal with it. The Internet is absolutely one of the most significant catalyst of the last decade which is transforming the traditional retail business to another level.

As the buying behaviour of the customers has changed over the last few years with the use of Internet, but the contribution of increase in mobility and the freedom of choice cannot be ignored. An important role of the Internet is the possibility it provides for orientation and acquiring information before deciding to buy.

In this rapidly changing world, like most interruptions, digital retail technology too off with a instable start. A flock of internet-based retailers making their presence in the early 1990s embraced what they called online shopping or electronic commerce. Websites like Amazon.com, Pets.com, and pretty much everythingelse.com competed wild till a grouping of ill-judged plans, projected risks, and a slackening economy burst the dot-com bubble.

On the contrary, now that economic reality is well established. According to the research firm Forrester, e-commerce is now approaching \$200 billion in revenue in the United States alone and accounts for 9% of total retail sales, up from 5% five years ago. The corresponding figure is about

10% in the United Kingdom, 3% in Asia-Pacific, and 2% in Latin America. Globally, digital retailing is probably headed toward 15% to 20% of total sales, though the proportion will vary significantly by sector. Moreover, much digital retailing is now highly profitable. Amazon's five-year average return on investment, for example, is 17%, whereas traditional discount and department stores average 6.5%.

The rise of e-commerce resulted in a shift from offline shopping to online shopping. Some offline organisations failed to capture the considerable opportunities presented by having an online presence and witnessed a subsequent drop in sales (Eyesink Smeets, 2013). Other former offline organisations tried to capture the value of internet and convert to click and mortar organisations (RetailDetail, 2014) or chose to start operating exclusively online (Emerce, 2014). Ultimately, new organisations appeared that focused solely on the internet (Elsevier, 2013). There are also pure click players who opt for an additional offline presence (Emerce, 2013). The effect on the offline business of having an additional online presence or vice-versa is a much-discussed topic. This report will focus on the future, being the platform and the emergence and impact of webshops and physical shops. Also it attempts to find and visualise the relationship between offline and online presence of shops and what difference does it creates in coming future.

E-Commerce - An Overview:

On August 11, 1994, The Nausha, a company based in New Hampshire conducted the first transaction on the web using a data encryption technology. After 20 years, E-commerce has become one of the most important component for conducting business across the globe. In simple terms, E-commerce constitutes transactions that involves purchase, sale and delivery of goods and services. E-Commerce is made up of various aspects:

- B2C- Business to Consumers
- B2B- Business to Business
- EDI- Electronic Data Exchange

E-commerce has not only flourished over the years but is now also being used by all types of business including manufacturing and service firms. E- Commerce has become a necessity for businesses to survive and compete in the market. During the first two decades of E-Commerce,

businesses assumed that it is a substitute for the brick and mortar retail. Even though there is still strong integration between online and offline shopping, this will be expected to phase out soon. Currently, the customers are using the electronic platform to do research, compare pricing and secure discounts on websites like Groupon only to make the final purchase in-store. But this trend is going to change in the coming years.

Currently, the E-commerce industry is valued at \$1552 billion. In addition to this, the industry is expected to reach \$2251 billion and is growing at a constant rate of 20 percent per year. E-commerce is also on the verge to outpace the brick and mortar growth within the next five years. “Search” is the most important part of e-commerce because 61 percent of the internet users research about products online before purchasing it.

In recent years, the United States has outpaced other countries in terms of E-Commerce growth and is considered one of the most promising growth markets. However, countries like U.K., Japan, and Western Europe are also catching up and have shown significant growth in the past three years.

Key factors responsible for the growth of Ecommerce

1. **A shift from offline stores to online stores:** Earlier the main problem faced by the consumers was that they were apprehensive to make payment online. Improved technology and payment methods has boosted the growth of E-commerce. Online payment methods other than the debit and credit card used are expected to be 30 percent of purchase made online.
2. **Rise in demand for global products:** Consumers from the emerging markets are demanding more and more products and are willing to make the purchases from international websites. Consumers from Brazil followed by Indonesia and Thailand are demanding products of established international brands.
3. **Escalated international shipping:** Flexible and low cost shipping options is one of the major reasons for the spurring growth of E-Commerce. Retailers have a flexibility to go beyond their domestic market without investing in the infrastructure.
4. **Surge in Mobile Purchases:** A surge in mobile purchases has accelerated the growth of E-commerce. In some countries, 40% of e-commerce traffic comes from mobile devices. With

decreasing cost of mobile phones and cheap internet offers available, the growth is expected to manifold in the times to come.

E-market places

E-market place refers to an e-commerce website where product and inventory information is provided by multiple third parties and transactions are processed by a marketplace operator. The emergence and growth of e-markets have changed the way trade and supply chain functions. E-Market places have proved to be beneficial in more than one way:

- There is greater synergy of information of transactional and relational environment
- It is possible for the buyers to search information at lower cost
- There is lower information dissymmetry between buyers and sellers
- The ability of buyers and sellers to be in different places

The typical component of a market place comprises of customers, sellers, goods and services, infrastructure, a front end, a back end, intermediaries and other business partners and support services.

There are various types of e-market places but the major market places are Storefronts and Internet malls. The future of E-commerce lies in the Internet malls or sometimes referred to as “platforms”.

E-Business – An emerging concept:

While some use e-commerce and e-business interchangeably, they are distinct concepts. In e-commerce, information and communications technology (ICT) is used in inter-business or inter-organizational transactions (transactions between and among firms/organizations) and in business-to-consumer transactions (transactions between firms/organizations and individuals)

Three primary processes are enhanced in e-business:

- Production processes, which include procurement, ordering and replenishment of stocks; processing of payments; electronic links with suppliers; and production control processes, among others;

- Customer-focused processes, which include promotional and marketing efforts, selling over the Internet, processing of customers' purchase orders and payments, and customer support, among others; and
- Internal management processes, which include employee services, training, internal information-sharing, video-conferencing, and recruiting. Electronic applications enhance information flow between production and sales forces to improve sales force productivity. Workgroup communications and electronic publishing of internal business information are likewise made more efficient.

E-Business has a various number of advantages compared to traditional business, but with advantages also come the challenges. Often when thinking of e-business people come up with thoughts of security, convenience and low costs. For an online store it is essential to go over these issues to minimize the risk and maximize the benefits of online shopping.

Platforms of the Future/E-malls

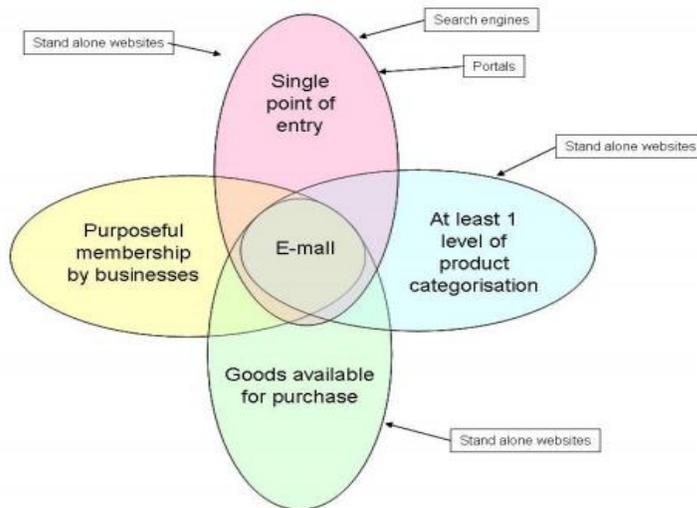
E-malls are websites that use a single point of entry to provide access to a number of businesses that sell products, some of which have a contractual agreement with the e-mall and provide electronic payment facilities. They must present consumers with a simulation of the physical shopping experience by the ability to browse through stores from a variety of industries using the concept of categorization¹.

There are several types of E-malls:

1. **General Malls:** They are large market places and they sell all types of products.
Eg:amazon.com
2. **Specialized Malls:** They sell only few types of products like flowers, wine etc.
Eg:1800flowers.com
3. **Regional vs Global Store:** Some stores sell products only in a particular region. Eg: Parkandshop.com whereas some stores sell products even outside their region if the customer is willing to pay for the shipping and taxes. Eg:hothothot.com

4. **Click and mortar stores:** These stores sell products online as well as have a physical store.
Eg: Walmart.com

What constitutes an E-Mall



Single Point of Entry: The most basic criteria, is that an e-mall must provide access to associated company websites via a single point of entry.

Purposeful membership by business: Another fundamental criterion of an e-mall is that at least some constituent businesses have made a contractual agreement to be associated with a given emall for the purpose of increasing consumer accessibility to their website.

Atleast one level of categorization: What differentiates e-malls from other Internet search applications is their categorization of products. Instead of relying on shoppers knowing exactly what products they require, in an e-mall shoppers are presented with categories which are designed to guide them in the process of establishing their needs.

Goods must be available for purchase: Customers must be able to purchase goods either directly on the e-mall, or on its merchant websites

The two biggest platforms online



1.

Alibaba was founded by Jack Ma in 1999 in China. Jack Ma launched Alibaba.com as a B2B portal for connecting Western Business and Chinese manufacturers. Currently, Alibaba is the largest E-commerce company in the world and had the largest IPO in history.

BUSINESS MODEL

Alibaba generates majority of its revenue from its Taobao division. This division is responsible for more than 80% of Alibaba's sale and it consists of two main properties:

1. Taobao Marketplace: This is similar to eBay, and allows consumers and small businesses to list merchandise for sale.
2. Taobao Mall: This is more like Amazon, It's a B2C platform that allows larger businesses and brands to sell direct to consumers.

What differentiates Alibaba from Amazon is that Alibaba merely facilitates the transactions. They charge commission for managing the market place. They don't hold or sell any merchandise themselves.

Alibaba accounts for more than 80% of purchases made online in China

2. The Amazon logo, featuring the word 'amazon' in a bold, lowercase, sans-serif font with a yellow curved arrow underneath it.

Amazon was founded by Jeff Bezos and it was only focused on selling books. Today Amazon is the largest retailer in North America and they have grown into the behemoth.

BUSINESS MODEL

Amazon in comparison to Alibaba plays in both market. A customer can purchase products directly from 3rd party businesses but Amazon is also in the business of stocking items and selling it to customers. In many instances, they compete with merchants who use their platform to sell products.

Physical shops and Web shops- From bricks to clicks:

Over the last few years, we have seen companies of all sizes embracing digital media for the most critical business processes. In the realm of sales and marketing, the online ecosystem has virtually become a default channel for activities such as product or service promotion and increasing customer loyalty. We can see this in the example of Coca-Cola, which is one of the leading brands that turns to digital media to increase brand awareness and manage the community of their fans.

Perhaps more obviously, Nike is using a more straightforward strategy to encourage their fans to move from physical stores to online shops. In one of the most visible business trends, Nike started prioritizing its web shop years ago and is still focused on strengthening their online sales channels. Jason Gube, founder of Six Revisions notes in a report by Crucial: “To illustrate how Nike is prioritizing their website, in some Nike retail stores, they actually have computer stations logged into Nike.com that allow customers to build their shoes.”

Obviously, Nike’s strategy is heavily consumer-oriented and represents a great leap from traditional forms of running a business. “Prior to this, businesses would have informational/brochure sites built by a web designer in order to promote and market their physical stores. But today we’re seeing the complete opposite: Physical stores are promoting and marketing the business’s website,” notes Gube.

This way, Nike doesn’t only promote a contemporary lifestyle, but also encourages their fans to use technology in their everyday lives. Of course, this may have something to do with Nike’s long-lasting partnership with Apple, especially as the two companies plan to roll out the next generation fitness wearables. The Apple Watch Sport scheduled for release in 2015 will likely become a favorite device.

From the customer's point of view, shopping via the Internet has quite some advantages that transcends just purchases for books, CD's or travel arrangements. The main common advantages are:

- Availability and accessibility: the penetration rate of the Internet access is increasing because of more and better network infrastructures, to include the emerging markets in the EU. The possibility for e-shopping is becoming available for more EU-households. Besides, an e-shop has in fact no closing hours.
- Direct communication possibilities: the supplier can react immediately on potential needs of the customer. The supplier can propose interesting promotions, product options, detailed product information and comparison and so on. Insights into customer needs can be captured by analysing historical purchasing profiles of those customers.
- Cost savings: the intermediary, especially wholesalers, in the supply chain can be deleted. The margins of the wholesalers, import duties and VAT can be minimized or even deleted by shopping via the Internet, which in turn can make the product cheaper than buying it in a store. In addition, supplier and price comparisons can be done easily and quickly, which can also increase the cost savings as well.
- Convenience for the customer: the customer places an order via the Internet and a few hours or days later he or she receives the products at home or he or she picks it up at certain delivery point (fuel station, shop, logistics service provider, Kiala service point, etc.).
- Time spent: the customer spends less time to buy the product.

Emergence of Etailers:

The success of webshops shows no signs of stopping. According to eMarketer, the revenues generated by global B2C e-commerce are set to reach around a trillion euro in 2014! eMarketer predicts revenues of 388.10 billion in APAC this year versus 356.60 billion in the US. In third place is Western Europe with expected online sales of 256.70 billion euro in the B2C market. This spectacular global growth is largely due to Asian growth markets such as China and India, but

markets such as Argentina, Mexico, Brazil, Canada, Russia and Italy are also showing healthy growth figures.

The mature Western European market continues to provide attractive opportunities. This is largely thanks to a host of new innovations and trends, including the ever growing use of smartphones and tablets for online shopping. The importance of cross-border e-commerce is also rapidly increasing. With a worldwide share of 3.9 billion euro in 2013, it is expected that this share will increase to be worth 6.8 billion by 2020. An impressive increase of 75%!

The inexorable rise of e-commerce offers many opportunities to ‘**e-tailers**’ across the globe. However, with every opportunity comes a challenge, not least when it comes to shipping and return. As such, with this white paper we aim to clarify how a smart shipping and return strategy can contribute to an optimal e-commerce journey for the customer. Indispensable knowledge for every e-tailer.

There was one point of time where the customer had to plan for shopping from how he will reach there to how he will get the shopping back?

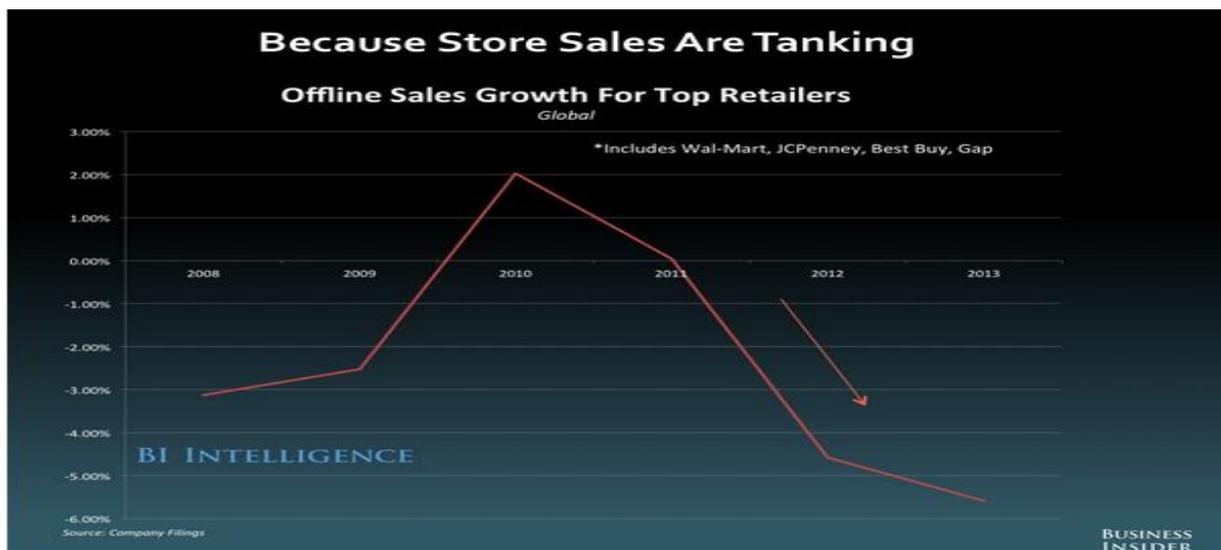
The impact of Platforms on future shops and webshops:

The retail industry is undergoing a dramatic change. The rise of platforms such as Alibaba, Amazon and Ebay have impacted the web shops and the physical shops. The shift from physical retail towards digital retail is happening at a faster rate than expected.

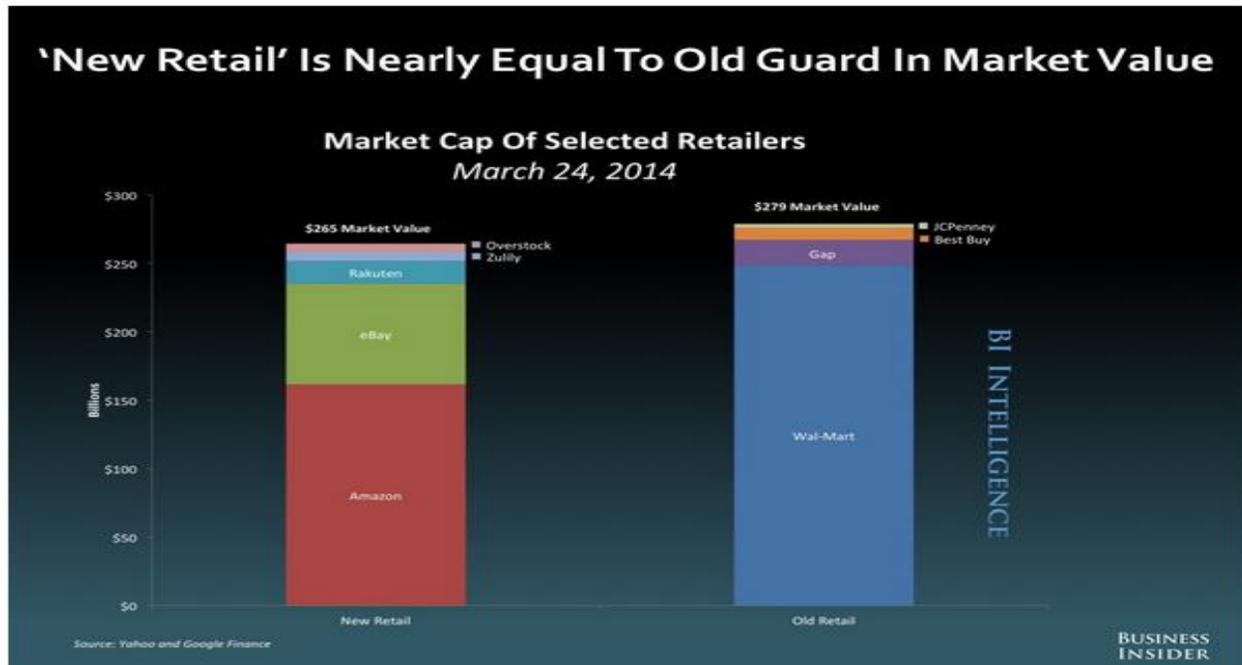


The emergence of platforms have made it possible for the people to buy products and services at a low price and in addition to the low prices, platforms gave the convenience factor to the consumers. Customers today are less patient than before and want to review the product and its price before the final purchase. Platforms play the role of a mediator where buyer can negotiate with the seller and also search for the same product at lower prices.

The emergence of platforms like Amazon in U.S has had a great impact on retail stores where many brands of retail stores are on the verge of shutting down.



The sales of online stores have plummeted over the years because consumers find shopping and researching about the products using the platforms like Ebay and Amazon more convenient. These market place provide a platform for the customers to purchase the same brand of product and services that they would have brought from any brick and mortar store at a lower price and conveniently.



The market value of platforms has nearly caught up with the old retail format. Even though Walmart has much more value than Amazon and Ebay combined, the rate at which the platforms are growing, it will surpass the old retail considerably.



Amazon constitutes nearly 14% of E-commerce sales and is growing at a constant rate.



Since the sales of brick and mortar stores have gone down considerably, retailers are considering e-commerce as a platform to sell their products and are opening up web shops. But these web

THE FUTURE IS IN THE PLATFORMS, WHAT WILL BE THE IMPACT ON WEBSHOPS AND PHYSICAL SHOPS

shops are just digital version of the physical shops and do not offer any value addition to the customer. Though the sale of webshops is growing, it is because of the overall boom in the e-commerce industry. In the years to come, web shops just as the physical shops will get stagnant and platforms will be next big thing where people will prefer to buy their products.

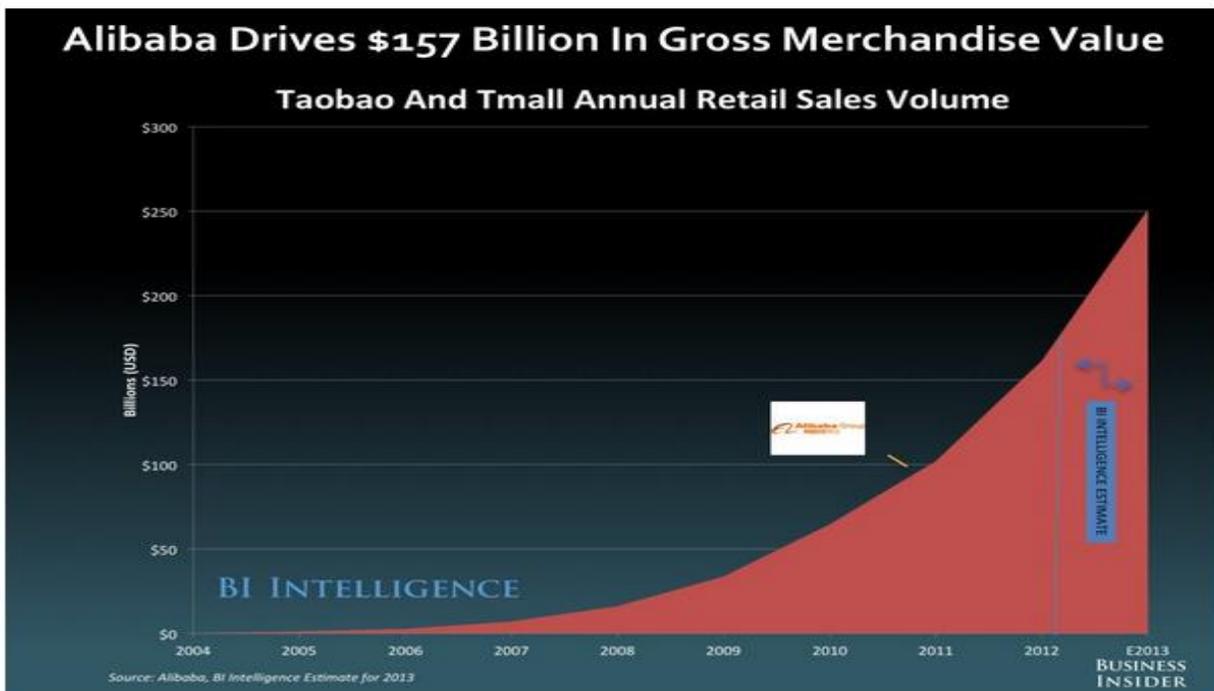


Best buy at one point of time was much bigger than Amazon but within two years, Amazon has captured the market share and is already 2 times bigger than Best buy. This is because consumers can purchase the products of Best buy on Amazon and also compare its products to other brands before finalizing the purchase. Platforms like Amazon, Ebay and Alibaba provide a whole experience to the consumers where the consumers can purchase the products of the brands that they like, compare prices, read reviews and finally buy the product at a lower price and that to all in real time.

THE FUTURE IS IN THE PLATFORMS, WHAT WILL BE THE IMPACT ON WEBSHOPS AND PHYSICAL SHOPS



Customers of today want price and convenience when purchasing a product and service and platforms in addition to providing price and convenience provide an overall purchase experience.



Alibaba is biggest e-market platform and capturing the market share at an enormous rate to become the world largest e-tailer. Alibaba as a platform is a combination of Ebay and Amazon where it

provides a market place for the buyer and seller and charges a commission for it. It also protects the buyer by securing the payment through its payment service –“Alipay”. So overall Alibaba provides all the services that a customer wants when purchasing a product so that the consumer do not have to go anywhere else when contemplating of purchasing a product online.

Future of the store

The death of retail stores is greatly exaggerated. The retail stores will continue to exist in the foreseeable future. Even though the sales of the retail stores are declining, stores are not going to be dead because people shop because of the experience and the serendipity of stores. Shopping is as much about entertainment and engagement as it is about utility. Stores require restructuring and stores of the future will be technology enabled. In fact, many retail stores have already started using technologies to make the stores more attractive and engaging for the customers. Eg- Using technologies such as ibeacons, RFID tags which give a visual presentation of the product when scanned with a mobile device, interactive windows instead of lifeless window shelves are currently being used.

Some fundamental changes need to be incorporated to make the experience more engaging and interactive for the customers:

1. Turning the store into a fulfillment center

Stores need to be remodeled to add direct order fulfillment and stocking in the back-office, limiting the assortments stocked on the floor. This will become extremely important in the likes of Amazon rapidly expanding its fulfillment centers and locating them near metropolitan areas to efficiently serve same day or next day delivery.

2. Integrate channels relentlessly, to the point that channel disappears.

Retailers need to understand the concept of customer engagement across all touch point in order to optimize the experience. Retailers must look at their systems landscape, operational approach and performance metrics, and relentlessly erode the notion of channel.

There is no doubt that retail is in crisis. But it's a crisis that retailers can survive if they adapt to the need of the hour. In order to survive, it will become extremely important for the retailers to

understand their customers, leverage a technology that can benefit the customers and focus on differentiators and asset and making the over experience of retail shopping engaging and w

Conclusion:

In spite of the fast pace of change in the web holding industry, most of the experts have confidence that expansion is possible if the website owners and hosting companies recognise the rules emerging technology trends are imposing on their business.

E-business has converted to a part of everyday life in the tech-savvy world of business. Little preliminary costs and the speedy growth of the usage of the Internet as well as the growth of online shopping, encourages more and more companies to go online. It is a fact that currently almost each and every latest company has a web site and it is considered almost as a necessity. The possibility of global reach through the World Wide Web is fascinating among with the fact that all companies online are accessible all over the world. At the same time it is also exciting to see as the shopping behavior of consumers is transferring more online every day from offline. The services provided through the Internet are easily retrieved without leaving home, resulting in making the shopping experience as convenient as possible.

Furthermore, with the latest mobile search option and cloud computing becoming very mainstream, the requirements of the market are changing, but they are likely to bring more success than failure. Consequently, industries are facing a new set of challenges in the information age and only those who are ready for constant innovation with respect to both offering and technology will be able to overcome them.

This report provides theoretical and practical information on how the future is in the platforms and the emergence of internet in marketing with the impact on webshops and physical shops. The learning process during the making of this thesis has been great, since we have learned new facts of marketing, e-commerce and e-business along with the detailed study of how the internet is playing such important role in this world now and it will continue to be.

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