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Learning Objectives

Upon completion of this chapter, you will be able to:

1. Describe electronic retailing (e-tailing) and its characteristics.
2. Classify the primary e-tailing business models.
3. Describe how online travel and tourism services operate and how they influence the industry.
4. Discuss the online employment market, including its participants and benefits.
5. Describe online real estate services.
6. Discuss online stock trading services.
7. Discuss cyberbanking and online personal finance.
8. Describe on-demand delivery of groceries and similar perishable products and services related to them.
9. Describe the delivery of digital products such as online entertainment.
10. Discuss various online consumer aids, including price comparison sites.
11. Describe the impact of e-tailing on retail competition.
12. Describe disintermediation and other B2C strategic issues.

OPENING CASE

AMAZON.COM—E-COMMERCE INNOVATOR

The Problem

In the early 1990s, entrepreneur Jeff Bezos saw an opportunity rather than a business problem. He decided that books were the most logical product for selling online, because they were the same product, regardless of how or where they were purchased. In July 1995, Bezos started Amazon.com (amazon.com) and began selling books online. Over the years, the company has continually improved, expanded, changed its business model, and expanded its product selection, improving customer experience and adding new products and services and business alliances. The company also recognized the importance of order fulfillment and warehousing early on. It has invested billions of dollars building physical warehouses and distribution centers designed for shipping packages to millions of customers. In 2012, the company started same-day delivery from its new distribution center and in 2016 piloted the use of drones for this purpose. After 2000, the company added information technology products and services, notably Kindle e-reader family, Fire TV, Echo, and Web Services (cloud technologies). The company maintains a listing of its new and innovative products and services at amazon.com/p/feature/tv76jef8gz289rm. In 2015, Amazon continued to heavily invest in Prime Video to actively compete with Netflix and Hulu (Trefis 2015). Amazon.com's challenge was, and still is, to profitably sell many consumer products and services online.

The Solution: Innovations and Reaching Out to Customers

To meet the goals of increasing sales and market penetration, Amazon must focus on making products easier to buy for its existing customers, creating new customers and innovating new products and services for all customers to purchase. All of these activities require different types of innovation, a concept that is held in high regard at the company. For example, see this interesting talk from Jeff Bezos on the importance of innovation and entrepreneurship in technology companies (youtu.be/_KEKkVrZeU8).

Making Buying Easier

The company's initial innovations were all based on the idea of making products easy to search, select, purchase, and ship. Amazon was a leader in the development of easy-to-use website searching, as well as accurate keyword searches for products. Key features of Amazon.com are easy browsing, searching, and ordering; useful product information, reviews, recommendations, and other personalization techniques; a very large selection of products and the ability to compare prices; low prices; secure payment system; efficient order fulfillment; and an easy product return arrangement. From this foundation, the company added one-click ordering (amazon.com/p/feature/7smbfan9c84m7rd), which made it easy for existing customers to quickly order products without the hassle of going through multiple checkout screens. The company also created Amazon Prime (amazon.com/p/feature/zh395rdnqt6b8ea), a service that allows free 2-day shipping on many products for a small annual fee. A unique example of a product and service offered is Amazon Dash Buttons (amazon.com/ddb/learn-more), a Wi-Fi-connected device that reorders products with the press of a button. Each Dash Button is paired with a unique product and allows for easy repeat ordering of often-used home products.

Amazon.com is also recognized as an online leader in providing personalized services and CRM. When a customer revisits Amazon.com, a cookie file identifies the user and says, for example, "Welcome back, Sarah Shopper," and then proceeds to recommend new books on topics similar to past purchases. You may receive recommendations for cheaper products. For example, a customer who buys printer toner for \$30 a unit regularly might be directed to a vendor that sells four units for a total of \$65. Amazon also provides detailed product descriptions and ratings to help consumers make informed purchase decisions. The site has an efficient search engine and other shopping aids. Amazon.com has a state-of-the-art warehousing system that gives the company an advantage over the competition.

These and other innovations are designed to streamline the shopping experience for customers and reduce any barriers that would stop them from purchasing products. This strategy is designed to help increase total sales for existing customers.

Creating New Customers

Other innovations are meant to help drive additional market share in the form of new customers. In addition to all the features that make shopping easy for existing customers, Amazon has attempted to entice customers that would have otherwise shopped at other retailers to shop with them. These features are primarily focused on increasing the diversity and types of products available at the site. In addition to selling products sourced by Amazon, the company works with affiliates that can

provide a more diverse array of products in more niche areas; this can include items such as unique home decor, clothing, and jewelry. Amazon has also embraced the idea of supporting new and unique products through Amazon Launchpad ([amazon.com/p/feature/kzwyhys7ore8d6](https://www.amazon.com/p/feature/kzwyhys7ore8d6)), a service that allows customers to purchase goods and services from start-up companies, many of which can be found nowhere else.

New Products and Services

The company's final set of innovations is the creation of new goods and services that are either wholly unique or Amazon-branded products that compete with others. Some unique goods include the Amazon Echo ([amazon.com/p/feature/ofoyqn-7wjy2p39a](https://www.amazon.com/p/feature/ofoyqn-7wjy2p39a)), a voice recognition device that is also linked to multiple applications on the Web. Other offerings are meant to both compete with other brands in the space and drive the utilization of Amazon products. One example is the Kindle Fire tablet line that both competes with other tablets, for example, Apple and Samsung, and also drives the use of Amazon products such as e-books and digital video. Another example is the Fire TV ([amazon.com/p/feature/7n5tkm4ugzff7bo](https://www.amazon.com/p/feature/7n5tkm4ugzff7bo)), a Wi-Fi-based streaming device that easily allows users to access both subscription and paid content through Amazon Prime.

The Results

Since he started Amazon, Jeff Bezos has received numerous recognitions including the 1999 *Time* magazine "Person of the Year" and the "Businessperson of The Year" by *Forbes* in 2012 (see content.time.com/time/specials/packages/0,28757,2023311,00.html and fortune.com/2012/11/16/business-person-of-the-year.fortune/2.html). In January 2002, Amazon.com declared its first profit—for the 2001 fourth quarter. Since then, the company has remained profitable despite its huge investments in distribution centers and other initiatives. Amazon.com reported that despite adverse US and global economic conditions, its annual revenue for 2015 had increased 721% from 2007, and in the third quarter of 2016, the company posted a \$252 million profit. The company can boast of having over 230,000 employees, 304 million accounts, and 186 million unique monthly visitors; 81% of US Internet users have an account, and the Kindle has 74% market share for e-book readers (see [statista.com/topics/846/amazon](https://www.statista.com/topics/846/amazon)).

But Amazon and Jeff Bezos cannot afford to rest on their laurels. There is major competition in the marketplace, and everyone has their eyes set on Amazon. Many new and existing companies want to expand their market share in online retailing, and one of the ways that they can do this is by competing with Amazon. One example is Walmart ([walmart.com](https://www.walmart.com)). While Walmart does not have the same online presence that Amazon does, they may be able to leverage their brick-and-mortar locations to their advantage. One way they might do this is through ship-to-store services or local customer support (Petro 2016). Amazon is also at a disadvantage because of its wide product breadth. This means that niche retailers may be able to target particular markets and possibly serve them better than Amazon could. Another example is Newegg (see [newegg.com](https://www.newegg.com)). This site specializes in computers, computer hardware, and technology. Because they serve a specific niche market, they may be able to provide more specific services and support than a large, multifaceted company like Amazon. Amazon's financial performance has also started to dip. While still very profitable, the company missed its earnings estimate in the third quarter of 2016. Instead of returning a profit of \$0.78 a share, the company only returns to profit of \$0.52 a share. While the company is still very financially sound, this was enough to decrease the stock price (Fiegerman 2016).

Even with these challenges, Amazon is poised to continue its growth into the future. By continuing to leverage its strong customer base, unique technologies, and spirit of invention, Jeff Bezos' company has proved to be a true innovator in e-commerce.

Sources: Based on Fiegerman (2016), Trefis (2015), and [amazon.com](https://www.amazon.com) (accessed January 2017).

LESSONS LEARNED FROM THE CASE

The case of Amazon.com, the most recognized name of all e-tailers in the world, demonstrates the evolution of e-tailing, some of the problems encountered by e-tailers, and the solutions that a company can employ to expand its business. It also is indicative of some key trends in Internet retailing. For example, there is fierce competition online. Amazon.com is successful because of its size, innovations, personalization, order fulfillment, and customer service. The biggest online retailer is still growing and becoming more dominant. E-tailing, as demonstrated by the Amazon.com case, continues its double-digit, year-over-year growth rate despite the global economic downturn. This is, in part, because sales are shifting away from physical stores. In this chapter, we look at the delivery of both products and services online to individual customers. We also discuss e-tailing successes and failures.

3.1 INTERNET MARKETING AND B2C ELECTRONIC RETAILING

The Amazon.com case illustrates how commerce can be conducted on the Internet. Indeed, the amount and percentage of goods and services sold on the Internet are increasing rapidly, despite the failure of many dot-com companies. internetworldstats.com estimates that there are over 7.26 billion Internet users worldwide and over 357 million in North America as of April 2016 (see internetworldstats.com/stats.htm). Forrester Research estimates that US shoppers will spend \$327 million online in 2016, a 62% increase over 2012. Experts also forecast that global B2C sales will be over \$2.35 trillion globally in 2018, especially due to the growth in China. Some think that as the number of Internet users reaches saturation, the rate of increase of online shopping may slow down. However, this may not be the case. In fact, the rise of social and mobile shopping seems to have accelerated the pace of B2C (see forbes.com/sites/theyec/2016/05/27/mobile-commerce-trends-for-the-second-half-of-2016/#569dcc315bde). In addition, the economic downturn may increase online shopping as a means of saving money (e.g., save on gas if you do not need to drive to a physical store or an online merchant may have a better price than a brick-and-mortar retailer). Finally, global B2C is still increasing rapidly, and many companies view these international markets as major sources of growth in the years ahead. Therefore, one of the challenges facing e-tailers is increasing the amount of money each person spends online. Companies have many benefits from selling their goods and services online. Innovative marketing models and strategies and a better understanding of online consumer behavior are critical success factors in B2C.

Overview of Electronic Retailing

A retailer is a sales *intermediary* between manufacturers and customers. Even though many manufacturers sell directly to consumers, they usually do so to supplement their major sales through wholesalers and retailers. In the physical world, retailing is done in stores (or factory outlets) that customers must visit physically in order to make a purchase, although sometimes customers may order by phone. Companies that produce a large number of products for millions of customers, such as Procter & Gamble, must use retailers for efficient product distribution. However, even if a company sells relatively few different types of products (e.g., Apple computers), it still might need retailers to reach a large number of customers who are scattered in many locations.

Catalog (mail-order) sales offer companies the opportunity to reach more customers and give customers a chance to buy from home. Catalog retailers do not need a physical store with staff; online shopping has created the need for electronic catalogs. Retailing conducted over the Internet is called **electronic retailing (e-tailing)**, and sellers who conduct retail business online are called **e-tailers**, as illustrated in the opening case. E-tailing can be conducted through catalogs that have fixed prices as well as online via auctions. E-tailing helps manufacturers (e.g., Dell) sell directly to customers. This chapter examines the various types of e-tailing and related issues.

Note that the distinction between B2C and B2B EC may be unclear. For example, Amazon.com sells to both individuals and to organizations. Walmart (walmart.com) sells to both individuals and businesses (via Sam's Club). Dell sells its computers to both consumers and businesses from dell.com, Staples sells to both markets at staples.com, and insurance sites sell to both individuals and corporations.

Size and Growth of the B2C Market

B2C e-commerce is growing rapidly, especially in developing countries (e.g., China, Russia, and India).

The statistics for the volume of B2C EC sales, including forecasts for future sales, come from many sources. Reported amounts of online sales *deviate substantially* based on how the numbers are derived, and thus it is often difficult to obtain a consistent and accurate picture of the growth of EC. Some of the variation stems from the use of different definitions and classifications of EC. Another issue is how the items for sale are categorized. Some sources combine certain products and services; others do not or use different methods. Some sources include online travel sales in the statistics for EC retail; others do not. Sometimes different time periods are used in the measurement. Therefore, when reading data about B2C EC sales, it is important that care is taken in interpreting the figures.

Developments in B2C E-Commerce

The first generation of B2C e-commerce sold books, software, and music—simple to understand, small items (known as commodity items) that were easily shipped to consumers. The second wave of online growth started in 2000, as consumers started researching and buying complex products such as furniture, large appliances, and expensive clothing. Today consumers research product information and purchase online from categories such as bedding, spas, expensive jewelry, designer clothes, appliances, cars, flooring, big-screen TVs, and building supplies. Consumers are also buying many services such as college educations, insurance policies, and streaming entertainment.

Characteristics and Advantages of Successful E-Tailing

Many of the same success factors that apply to physical retailing also apply to e-tailing. In addition, a scalable and secure infrastructure is needed. However, e-tailers can offer special consumer services not offered by traditional retailers. For a comparison of e-tailing and retailing, including advantages, see Table 3.1.

Goods with the following characteristics are expected to sell the most:

- Brand name recognition (e.g., Apple, Dell, Sony). A service guarantee provided by well-known vendors (e.g., Amazon.com, BlueNile.com). For example, return policies and expedited delivery and free shipping
- Digitized format (e.g., software, music, e-books, or videos)
- Relatively inexpensive items (e.g., office supplies, vitamins)
- Frequently purchased items (e.g., books, cosmetics, office supplies, prescription drugs)
- Commodities for which physical inspection is not necessary (e.g., books, CDs, airline tickets)
- Well-known packaged items that you normally do not open in a physical store (e.g., canned or sealed foods, chocolates, vitamins)

Table 3.1 Retailing versus e-tailing

Factor	Retailers	E-tailers
Increase of sales volume	Expansion of locations, stores, and space	Going out of their regular area and even globally to find customers
More visitors but less revenue	Expand marketing efforts to turn “window shoppers” into active shoppers	Expand marketing communications to turn viewers into shoppers
Use of technology	Automation store technologies such as POS, self-check, and information kiosks	Ordering, payments, and fulfillment systems
		Comparisons and customer testimonials
		Instant delivery of digital products
Customer relations and handling of complaints	Face-to-face, stable contacts	Anonymous contacts, less stability
Competition	More tolerance of disputes due to face-to-face contacts	More responsiveness to complaints due to potential negative publicity via social media platforms (e.g., Facebook, Twitter)
	Local competition	More competitors
	Fewer competitors	Intense due to comparisons and price reductions
Customer base	Local area customers	Wide-area (possibly global) customers
	Lack of anonymity	Anonymity most of the time
	High increase of customer loyalty	Easy to switch brands (less loyalty)
Supply chain cost	High cost, interruptions	Lower cost, more efficient
Customization and personalization	Expensive and slow	Fast, more efficient
	Not very popular	Popular
Price changing	Expensive and slow, not done often	Inexpensive, can be done anytime
Adaptability to market trends	Slow	Rapid

Sources: Based on Ingham et al. (2015) and authors’ experiences

Advantages of E-Tailing

E-tailing provides advantages to both sellers and buyers.

The major advantages to sellers are:

- Lower product cost, thus increasing competitive advantage.
- Reach more customers, many outside the vendor's region, including going global. For example, some Chinese and Taiwanese e-tailers operate sites that sell electronic products all over the world (e.g., E-Way Technology Systems Corp.; ewayco.com).
- Change prices and catalogs quickly, including the visual presentation. Such flexibility increases competitive advantage.
- Lower supply chain costs.
- Provide customers with a wealth of information online as a self-service option, thus saving customer service costs.
- React quickly to customer needs, complaints, tastes, and so forth.
- Provide customization of products and services, self-configuration, and personalization of customer care.
- Recommendation of alternate or complementary products based on a customer's history and preferences
- Enable small companies to compete with larger companies.
- Better understand customers and interact with them.
- Sell specialized items countrywide or even worldwide (e.g., surfing-related merchandise by the Australian company surfstitch.com).
- Engage customers in interesting search, comparison, and discussion activities.
- Contact customers who are not reachable by traditional methods of communication.

The major benefits to the buyers are to:

- Pay less than in traditional or even discount stores.
- Find products/services not available in local stores.
- Shop globally: compare prices and services.
- Shop anytime and from anywhere.
- Find it unnecessary to go to the store wasting time and gasoline and being pressured by salespeople.
- Create their own designs and products (e.g., see vistaprint.com).
- Find collectors' items.
- Buy in groups: buy with friends and engage in social shopping.

The next section examines the major business models that have proven successful in e-tailing.

SECTION 3.1 REVIEW QUESTIONS

1. Describe the nature of B2C EC.
2. What are the characteristics of high-volume products and services?
3. Describe the major trends in B2C.
4. Why is B2C also called e-tailing?
5. List the major characteristics of B2C.
6. What are the benefits of B2C for both buyers and sellers?

3.2 E-TAILING BUSINESS MODELS

In order to understand e-tailing better, let us look at it from the point of view of a retailer or a manufacturer that sells to individual consumers (see Fig. 3.1). The seller has its own organization and must also buy materials, goods, and services from others, usually businesses (B2B in Fig. 3.1). As also shown in the figure, e-tailing, which is basically B2C (right side of the figure), is done between the seller (a retailer or a manufacturer) and an individual buyer. The figure shows other EC transactions and related activities that may affect e-tailing. Retailing businesses, like other businesses, are driven by a business model. A **business model** is a description of how an organization intends to generate revenue through its business operations.

In this section, we will look at the various B2C models and their classifications.

Classification of Models by Distribution Channel

E-tailing business models can be classified in several ways. For example, some classify e-tailers by the nature of the business (e.g., general-purpose versus specialty e-tailing) or by the scope of the sales region covered (global versus regional), whereas others use classification by revenue sources. Here we classify the models by the distribution channel used, distinguishing five categories:

1. **Traditional mail-order retailers that also sell online.** For example, J.C. Penny and Lands’ End also sell on the Internet.
2. **Direct marketing by manufacturers.** Manufacturers such as Dell, LEGO, and Godiva market directly online from their webstore to customers, in addition to selling via retailers.
3. **Pure-play e-tailers.** These e-tailers sell only online. Amazon.com is an example of a pure-play e-tailer (see opening case).
4. **Click-and-mortar (“brick-and-click”) retailers.** These are retailers that open webstores to supplement their regular business activities (e.g., walmart.com and homedepot.com). However, we are now seeing a reverse trend: Some pure-play e-tailers are creating physical storefronts. For example, Apple opened physical stores, and Dell sells its products at

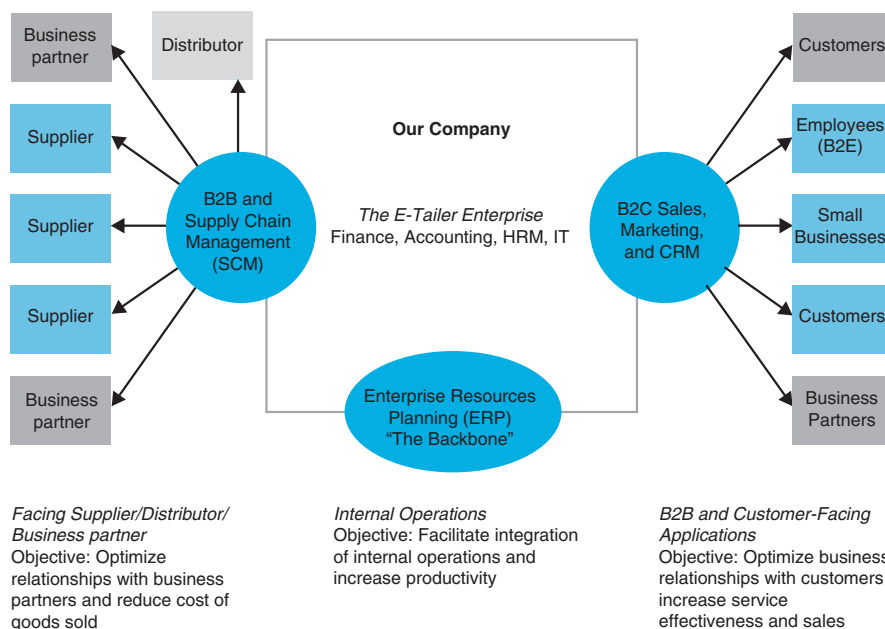


Fig. 3.1 E-tailing as an enterprise EC system

partner store locations, such as Best Buy and Staples. The idea of selling both online and offline is part of a model or strategy known as a **multichannel business model**. Using this strategy, the company offers several options for the customer to shop, including over the Internet. This strategy gives customers the opportunity to select the marketing channel with which they are most comfortable. For more on multichannel, see the white paper at enterpriseinnovation.net/whitepaper/multichannel-customer).

5. **Convergence and Omnichannel.** This is a hybrid form of pure-play e-tailers as they begin to utilize physical locations for specific markets or products.
6. **Internet (online) malls.** These malls include many stores on one website.
Note that in direct marketing of any type, sellers and buyers have a chance to interact directly and better understand each other.
7. **Flash sales.** In any of the above categories, sellers can offer steep discounts via an intermediary or directly to the consumers. These discounts exist in several varieties.

Our examination of each of these distribution channel categories follows.

Direct Marketing by Mail-Order Companies

In a broad sense, **direct marketing** describes marketing that takes place without physical stores. Direct marketers take orders directly from consumers, frequently bypassing traditional intermediaries. Sellers can be retailers or manufacturers.

Direct Sales by Manufacturers and Make to Order

Many manufacturers are selling directly to customers. Dell, HP, and other computer manufacturers use this method. It is usually combined with self-configuration of products (customized, build to order). The major success factor of this model is the ability to offer customized products at a reasonable cost.

Virtual (Pure-Play) E-Tailers

Virtual (pure-play) e-tailers are companies with direct online sales that do not need physical stores. Amazon.com is a prime example of this type of e-tailer. Virtual e-tailers have the advantage of low fixed costs. However, one drawback can be a lack of an efficient order fulfillment system. Virtual e-tailers can be *general-purpose* (such as Amazon.com or Rakuten.com) or *specialized* e-tailers (such as DogToys.com).

General-purpose pure-play companies can be very large. Amazon.com is one example. Another example is Rakuten Ichiba, Japan's largest online mall that offers more than 50 million products made by over 33,000 merchants. In May 2010, the Japanese company acquired US-based Buy.com (which is now known as Rakuten.com Shopping). The combined company offers more than 90 million products made by over 35,000 merchants worldwide. Thousands of other companies operate as pure-play e-tailers. Examples are Australian companies dealsdirect.com.au and asiabookroom.com.

Specialty e-tailers, such as CatToys.com (cattoys.com), can operate in a very narrow market. Blue Nile is another example. Such specialized businesses would find it difficult to survive in the physical world because they would not have enough customers and could not hold a large variety of stock.

Drop-Shipping

Drop-shipping is a form of pure-play e-commerce where a business sells products that they do not stock or ship. Instead, after the order is placed, the company directs a third-party drop-shipper to pull the item from their warehouse and ship it to the customer. This type of arrangement provides a very low barrier of entry to the e-tailer because they do not manage any logistics or carry any stock risk. They are free to focus on front-end marketing only. Shopify is a major supporter of this model; for more information about drop-shipping, see shopify.com/guides/dropshipping.

Click-and-Mortar Retailers and Multichanneling

This is probably the most commonly used model of e-tailing competing with pure-play e-tailers. Examples are Walmart.com, Target.com, and thousands of other retailers that offer products and services online as an additional sales channel. This strategy is gaining momentum, but it is not always successful for large companies. A prime example is Best Buy (see section "The New Face of Retail Competition: Retailers versus E-Tailers").

A **click-and-mortar retailer** is a combination of both the traditional retailer and a webstore.

A **brick-and-mortar retailer** conducts business exclusively in the physical world. In some cases, sellers also might operate a traditional mail-order business.

In today's digital economy, *click-and-mortar* retailers sell via stores, through phone calls, over the Internet, and via mobile devices. A firm that operates both physical stores and an online e-tail site is a click-and-mortar business selling in a *multichannel business model*. Examples of retailers going from brick and mortar only to brick and click are department stores, such as Macy's (macys.com) and Sears (sears.com), as well as discount stores, such as Walmart (walmart.com) and Target (target.com). It also includes supermarkets and all other types of retailing.

Convergence and Omnichannel

Historically, it was easy to separate different types of retailers based on their primary locations and channels through which they sold to the public. This is changing with the idea of convergence (also referred to as "omnichannel"). As technologies have advanced and retailers have become savvier to the needs and preferences of customers, the lines between pure-play e-commerce, brick-and-mortar commerce, and click-and-mortar commerce are beginning to blur (see meldstudios.com.au/2012/08/27/future-retail-blurring-boundary-online-offline).

Retailers that were traditionally pure play (like Amazon) have begun to build storefronts in specific areas for specific types of products. Additionally, technologies, especially those associated with mobile apps, allow customers to interact with physical products and Web-based services and systems at the same time. Forrester research found that 61% of all shoppers still enjoy interacting with both physical products and sales associates at retail locations and that merchants can continue to be successful if they are able to cater to this audience without the threat of "showrooming" products (Forrester Research 2015). Showrooming is when customers come into a store to review a product and then leave to purchase it online, often from another vendor. As the different methods to market and sell to customers continue to converge, retailers will be better able to meet customer needs as well as leveraging the advantages of both technology and their physical locations (Brown 2016).

For more details on this trend, see the video titled "The Rebirth of Retail, and the Convergence of Online and Offline Technology" from the National Retail Federation (45:03 min) at youtu.be/KuZy_bGpnRU.

Retailing in Online Malls

There are two types of online malls: referring directories and malls with shared shopping services.

Referring Directories

This type of virtual mall contains a directory organized by product type. Banner ads at the mall site advertise the products or vendors. When users click on the product and/or a specific store, they are transferred to the webstore of the seller, where they can complete the transaction. Examples of referring directories can be found at bedandbreakfast.com. Either the stores listed in a directory own the directory collectively or they pay a subscription fee or a commission to the organizing third party for maintaining the site and advertising their products. This type of e-tailing is a kind of affiliate marketing (see shopping24.de).

Malls with Shared Services

In online malls with shared services, a consumer can find a product, order and pay for it, and arrange for shipment. The hosting mall provides these services.

Ideally, the customer would like to go to different stores in the same mall, use one shopping cart, and pay only once. This arrangement is possible, for example, in Yahoo! Small Business (see smallbusiness.yahoo.com/ecommerce) and bing-shop.com. With the availability of e-commerce software and outsourced logistics services, the popularity of online malls is shrinking.

Other B2C Models and Special Retailing

Several other business models are used in B2C. They are discussed in various places throughout the book. Some of these models also are used in B2B, B2B2C, G2B, and other types of EC.

B2C Social Shopping

Social shopping activities are facilitated by new or improved business models, (e.g., see Turban et al. 2016; and Zimmerman and Singh 2015). For example, B2C sites such as amazon.com and netflix.com provide consumers with extensive social context and engagement opportunities, such as product ratings. Using blogs, wikis, discussion groups, and Twitter, retailers can help customers find and recommend shopping opportunities. Typical new or improved models created by social media tools are summarized below.

Flash Deals (Deals of the Day)

These are sales in which companies offer heavily discounted products to consumers for a limited time (usually 24–72 h), directly or via intermediaries such as Groupon. The discounts are so large that the sellers hope that people will spread the news to their friends (see woot.com).

Online Group Buying

In these depressed economic times, more people are using the Internet as a smart way to save money. Using online *group buying*, it is easy to join a group of buyers to get volume discounts. There are several start-ups in this market: yipit.com and livingsocial.com. Other sites that used pure group buy are now concentrating on flash deal sales. For example, see Groupon, dealradar.com, and myhabit.com.

Personalized Event Shopping

Event shopping is the B2C model in which sales are designed to meet the needs of special events (e.g., a wedding, Black Friday). This model may be combined with group purchasing (to lower the customers' cost). Two variations of this online model are *private shopping clubs* and *group gifting online*.

Private Shopping Clubs

An online **private shopping club**, like an offline shopping club (e.g., Costco), enables members to shop at a discount, frequently for short periods of time (just few hours or days). Members may need to register before they are invited to see the special offers. To assure quality, many clubs buy directly from the manufacturers.

Examples of such clubs are Gilt (gilt.com) in the United States (see Wieczner and Bellstrom 2010) and KupiVIP (kupi-vip.ru) in Russia.

Private shopping clubs can be organized in different ways (e.g., see beststreet.com). For details, see en.wikipedia.org/wiki/Private_shopping_club.

Group Gifting Online

In many cases, a group of friends can collaborate on gifts for events such as a wedding. To help coordinate the group activities and select the gifts, one can use sites like frumus.com and socialgift.com.

Location-Based E-Commerce

Location-based e-commerce (l-commerce) is a wireless-based technology used by vendors to send advertisements relevant to the location where customers are at a given time by using GPS. The technology is a part of mobile commerce. The model was unsuccessful until social networking emerged. Today, companies such as Foursquare provide l-commerce services.

Drop-Shipping

Drop-shipping is an EC model where an e-tailer (the seller) sells a product and then buys it from a supplier who packs and sends the product to the buyer.

The Process of Drop-Shipping

The process is composed of the following steps:

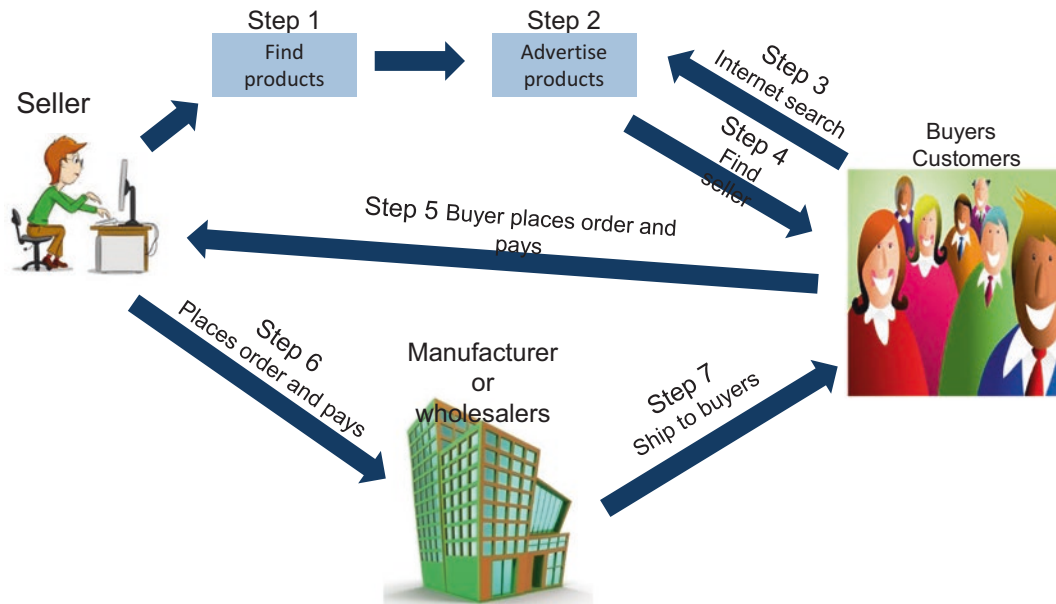


Fig. 3.2 How drop-shipping works

Step 1. The e-tailer (seller) finds a product and a supplier to buy it from.

Step 2. The e-tailer advertises the product on its own website and/or on popular sites (such as eBay).

Step 3. A buyer searches for a product online.

Step 4. The buyer (buyers) finds the product in a search.

Step 5. The buyer orders the product and pays for it to the e-tailer.

Step 6. The e-tailer transfers the order to a wholesaler, manufacturer, or a drop-shipping vendor (the supplier) and pays for it (the wholesale price).

Step 7. The supplier acquires, packs, and ships the product to the buyer.

The seven-step process is illustrated in Fig. 3.2.

The Participants in the Process

The following are the major participants:

1. **The seller.** The seller can be an individual who sells to individual customer (kind of P2P). The seller advertises on its own website or on popular websites.
The seller can also be a retailer who uses the model as one of a multichannel, or it can be a small retailer who practices drop-shipping only.
2. **The buyer.** The customers are usually individual people who buy small quantities for themselves.
3. **The supplier.** It can be a manufacturer, wholesaler, or another vendor that acts as a third party and plays the activities of order fulfillment.
4. **The directory provider.** Several companies help people to find suppliers and products. They usually charge a fee for their service (monthly or per search). The directory providers can perform the order fulfillment as well (see Zorzini 2017).
5. **A website builder.** If the sellers do many transactions, it makes sense for them to build a website. They can use it for advertisements, payment collection from the buyers, communication with the buyers and suppliers, transferring orders and payments to the supplier, and conducting other store management activities.

A major store builder that specializes in supporting drop-shipping is *Shopify*. The company has detailed guides for the various activities in the process. For a website selection and management, see ecommerce-platforms.com/ecommerce-selling-advice/setup-drop-shipping-ecommerce-website/.

The Benefits of Drop-Shipping

The major benefits are:

- Less capital is required (increase in cash flow).
- Easy to get started.
- Easy to scale the business (expand or contract).
- Good yearning potential.
- You need very little resources and space.
- You pay suppliers only after you get paid.
- Low overhead.
- Flexible location.
- No need to fulfill the order.
- No need to keep inventory.
- Increase lifetime value of customers.
- Enable expansion to new (including global) markets.
- Having another sales channel.

For discussion, see multichannelmerchant.com/opsandfulfillment/7-business-advantages-drop-shipping-14042015/.

The Disadvantages of Drop-Shipping

The major disadvantages are:

- If anything goes wrong, it is your fault.
- You do not see what the supplier ships.
- People may do exactly what you do (competition!).
- Returns from customers can be complex.
- You lose control over quality and speed of shipments.
- You must provide good customer service that may be costly if you have many customers.
- The difference between the prices you charge and what you pay to the supplier can be too small.

Some Suggestions for Implementation

Shopify provides several guides for how to do drop-shipping:

- (a) You start with an understanding of the process shopify.com/guides/dropshipping/understanding-dropshipping/.
- (b) You need to find products and suppliers shopify.com/guides/dropshipping/finding-suppliers/.
- (c) You need to advertise and possibly sell on eBay, Amazon, etc. shopify.com/guides/dropshipping/evaluating-sales-channels/.
- (d) Find the right e-commerce platform ecommerce-platforms.com/ecommerce-selling-advice/setup-drop-shipping-ecommerce-website/.

The model is very popular with many individuals and small businesses. (For over 25% of small businesses, drop-shipping is the major sales channel.)

For a guide to drop-shipping, see shopify.com/guides/dropshipping/ and novatechwholesale.com. For an overview, see Williams (2016). For how you can make money from drop-shipping, see Bennet (2016). This model provides a very low barrier of entry to sellers, since it is very easy for competitors to start a business. To succeed, however, the seller needs to find the right products and makes sure that the price differential between the retail and wholesale is large enough.

SECTION 3.2 REVIEW QUESTIONS

1. List the B2C distribution channel models.
2. Describe how traditional mail-order firms are transforming or adding online options.
3. Describe the direct marketing model used by manufacturers.
4. Describe virtual e-tailing.
5. Describe the click-and-mortar approach. Compare it to a pure e-tailing model.
6. Describe the different types of e-mails.
7. Describe flash sales (daily deals).
8. Describe B2C social shopping models.
9. Describe the drop-shipping process.
10. List the major advantages and disadvantages.

3.3 ONLINE TRAVEL AND TOURISM (HOSPITALITY) SERVICES

Online services are provided by many travel vendors. Some major travel-related websites are expedia.com, travelocity.com, tripadvisor.com, and priceline.com. All major airlines sell their tickets online. Other services are vacation packages (e.g., blue-hawaii.com), train schedules and reservations (e.g., amtrak.com), car rental agencies (e.g., autoeurope.com), hotels (e.g., marriott.com), commercial portals (e.g., cnn.com/TRAVEL), and tour companies (e.g., atlastravelweb.com). Publishers of travel guides such as lonelyplanet.com, fodors.com, and tripadvisor.com provide considerable amounts of travel-related information on their websites, as well as selling travel services. The competition is fierce, but there is also collaboration. For example, in 2012, TripAdvisor helped New Orleans hotels to attract more guests. For an overview of the travel industry in 2016, see the presentation at slideshare.net/yoramw/online-travel-report-by-dealroom-june-2016.

Example: TripAdvisor

According to comScore Media Metrix (in November of 2016), TripAdvisor (tripadvisor.com) is the world's largest travel site. The company provides trip advice generated from actual travelers. This is a global site with more than 350 million visitors a month. For history, features, and more facts, see tripadvisor.com/PressCenter-c4-Fact_Sheet.html.

Example: Qunar.com

Qunar (qunar.com) is the world's largest Chinese-language travel platform. The site provides services similar to those provided by TripAdvisor, such as travel information, travel arrangements, and in-depth search (see www.qunar.com/site/en/Qunar.in.China_1.1.shtml).

Characteristics of Online Travel

Online travel services generate income from commissions, advertising fees, lead generation payments, subscription fees, site membership fees, etc.

With rapid growth and increasing success, the online travel industry is very popular, although online travel companies cite revenue loss due to fraud as their biggest concern. Consumers themselves can fall prey to online travel fraud. However, competition among online travel e-tailers is intense and has low margins. In addition, customer loyalty and difference in prices make it more difficult to survive. Thus, guaranteed best rates and the provision of loyalty programs are becoming a necessity.

Three important trends will drive further changes in the online travel industry. First, online travel agents may try to differentiate themselves by providing superior customer service. Second, they provide easy search capabilities (e.g., for best prices). Third, online travel companies are likely to use social media tools to provide content to travelers and would-be travelers.

Services Provided

Online travel agencies offer almost all the same services delivered by conventional travel agencies, from providing general information to reserving and purchasing travel accommodations and event tickets. In addition, they often provide services that most conventional travel agencies do not offer, such as travel tips and reviews provided by other travelers, fare tracking (free e-mail alerts on low fares), expert opinions, detailed driving maps, and directions (see airbnb.com; a website that connects travelers and lists accommodations around the world, chat rooms, and bulletin boards).

Example: HomeAway.com, Inc.

HomeAway, Inc. (homeaway.com) is a marketplace for the vacation rental industry. This online marketplace hosts 1.26 million paid listings offering vacation rental homes in 196 countries (April 2016 data). The basic idea is to offer travelers vacation homes at affordable prices. For example, you can rent a whole vacation house at less than half the price of a hotel. The site connects property managers and owners with travelers. Besides the United States, the company has subsidiaries in several countries, such as the United Kingdom, France, and Spain. It has both short and longer stay rentals. For details, see homeaway.com.

Other special services include:

- **Combined booking.** Most travel services allow you to book flights, rental cars, and hotels at the same time. Often by combining these different aspects of a trip, customers are able to secure a lower price than if they booked these services independently.
- **Wireless services.** Many airlines (e.g., Cathay Pacific, Delta, and Qantas) allow passengers to access the Internet during flights with mobile devices (usually for a fee).
- **Advance check-in.** Most airlines provide advance online check-in. You can print your boarding pass within 24 h prior to departure. Alternatively, you can use a smartphone (or a tablet) to download the boarding pass to your cell phone and then submit your phone to the security with your ID. The security department has electronic scanners that read the boarding pass from your smartphone and let you board the plane.
- **Direct marketing.** Airlines sell electronic tickets (or “e-tickets”) over the Internet. When customers purchase electronic tickets online (or by phone), all they have to do is print the boarding pass or enter their credit card at an *electronic kiosk* to get a boarding pass there.
- **Alliances and consortia.** Airlines and other travel companies are creating alliances with one another (e.g., staralliance.com) to increase sales or reduce purchasing costs for purchases made over the Internet.

Using Mobile Devices

The use of these is increasing rapidly, with hundreds of apps related to comparing prices, making reservations, looking at travel reviews, and finding the best travel deals available (see tomsguide.com/us/pictures-story/491-best-travel-apps.html for a list of 50 ultimate travel apps). The growth in the use of mobile apps in the travel industry has paralleled their growth overall. Today, 25% of travel bookings are completed with a mobile app, and that percentage is expected to rise in the future (Diaz 2016). All major travel companies offer apps with feature similar to their browser-based websites (see a comparison of available apps at digitaltrends.com/mobile/best-travel-apps).

Social Travel Networks

Travelers are using sites like Facebook, YouTube, Twitter, Gogobot, Flickr, Foursquare, and TripAdvisor to plan their trips and share experiences (both good and bad) afterward. For example, all major airlines have pages on Facebook that provide information and news about their airline and offer their customers a community to meet other travelers and share experiences (e.g., see facebook.com/AmericanAirlines).

Several social networks have travel channels that cater to travelers. Travelers can use these channels to share details of their trips and review their accommodations, travel providers, and recreational activities. An example of such networks is wikitravel.org, which features a travel channel that uses a wiki allowing any Internet reader to create, update, edit, and illustrate *any* article on the website (“the travel guide you write”). For a comprehensive resource on travel, see tripadvisor.com. Other social networks available exclusively for travelers are Trip Wolf, Trip Hub (a blog dedicated to group travel), TripAdvisor, VirtualTourist, BootsnAll, and Lonely Planet.

These social media connections to travel are becoming a critical factor in customer’s decisions on travel locations and suppliers (Sablich 2016). These networks are providing customers with a volume of trusted advice that was not possible before, and these shared opinions are having a major impact on how the industry handles customer service (see independenttraveler.com/travel-tips/travelers-ed/how-social-media-is-changing-travel). Vendors that are able to exploit this trend have found that word-of-mouth advertising can significantly increase booking. One method that many encourage is the use of their mobile apps, especially sharing pictures and videos (Morrison 2015). In that survey, it was found that:

- 52% of users said friends’ Facebook photos inspired travel plans.
- 76% photo vacation photos to social networks.
- 51% said Twitter influenced consideration of a travel brand.
- 92% of customers trust earned media above all other forms of travel advertising.

CASE 3.1: EC APPLICATION

ZILLOW—UNIQUE TOOLS FOR THE REAL ESTATE MARKETPLACE

Zillow (Zillow.com) is an online real estate database company that was founded in 2006. The website acts as a marketplace for many different types of real estate including homes and apartments: for sale and for rent. The site is unique when compared to more traditional real estate websites because it aggregates available properties across multiple databases and also allows users to enter their own properties for sale or rent. Additionally, the site provides a wide variety of features relating to design/decor.

Unlike a traditional real estate broker, the website does not generate profit through the sale of properties. Instead the website generates the majority of its profits through advertising sales and subscriptions. This can be for individual sellers, agents, or mortgage lenders. In the first quarter of 2016, the company recorded total revenue of 168 million, a 25% increase from the same time period in 2015 (see investors.zillowgroup.com/releasedetail.cfm?releaseid=968880). During this time, the website had more than 166 million unique users across its multiple brands (Zillow, Trulia, StreetEasy, and HotPads).

Because the company depends on advertising revenue to drive profitability, it is important for the website to provide an enticing set of features for potential users. While many of these features are similar to other real estate brokers, the ability to search for available properties, Zillow has added additional features to help set it apart. Some of these tools are targeted at agents. The premier agent platform provides a suite of online tools that allow agents and brokers to manage their teams and available properties (Zillow Group 2016). Other features are targeted at individual users. These features can include referral agent's comma advice on purchasing and maintaining properties and inspirations on home design.

One very unique feature of Zillow is the ability to estimate the value of an existing property. The system aggregates information from past property sales, the current state of the market, and real estate tax appraisals to estimate the value of a property. While this is a good estimate of property value, it is not exact. Other professionals in the field feel that this feature may give homeowners an unrealistic expectation of what a property's sale price might be. Zillow and others are working on ways to further refine the model to generate more accurate results using a larger amount of available data (Corcoran and Liu 2014).

Zillow continues to develop and enhance a diverse set of online features that it hopes will continue to drive users to its website, thus allowing it to grow.

Questions

1. What is Zillow's business model?
2. Why is it important for Zillow to provide a variety of features?
3. Should Zillow continue to offer the value estimation tool?

Benefits, Limitations, and Competition in Online Travel Services

The benefits of online travel services to travelers and travel providers are extensive. The amount of free information is voluminous and is accessible at any time from any place. Shoppers can find the lowest prices. Travel providers also benefit by eliminating commissions and selling otherwise empty spaces. Finally, processing fees are reduced.

Online travel services do have some limitations. First, complex trips are difficult to arrange and may not be available on some sites because they require complicated arrangements. Therefore, the need for travel agents as intermediaries remains, at least for the time being.

Competition in Online Travel

The competition in online travel is intense. In addition to well-known pure players such as Expedia (expedia.com), Priceline (priceline.com), and Hotels.com (hotels.com), there are thousands of travel-related sites online. Many service providers have their own sites, related websites advertise travel sites, and tourist guides sell services or direct users to them. In such a competitive environment, online businesses may fail (e.g., Travel-Ticker folded in September 2012). This competitive environment is compounded by the rise of travel aggregator websites; these services search a large number of sites to find the best

price (see independenttraveler.com/travel-tips/travelers-ed/the-aggregators-are-coming). This type of service forces many travel sites to price match and compete of other metrics such as site features or customer service. For information on how to use a travel aggregator website, see tripbadger.com/smart-travel-tips/10-best-travel-sites or a video tutorial on using a popular site, KAYAK kayak.com at youtu.be/xFSjY5MxwAk.

Corporate Travel

The corporate travel market is huge, and its online portion has been growing rapidly in recent years. Corporations can use all the online travel services mentioned earlier where they may receive special services. Companies can enable employees to plan and book their own trips to save time and money. Using online optimization tools provided by travel companies, such as those offered by American Express (amexglobalbusinesstravel.com), companies can try to reduce travel costs even further. Expedia via Egencia TripNavigator (egencia.com), Travelocity (travelocity.com), and Orbitz (orbitzforbusiness.com) also offer software tools for corporate planning and booking. TripAdvisor for Business (tripadvisor.com/Owners) provides information to the tourism and hospitality industries. TripAdvisor TripConnect offers a way for businesses to compete for bookings and generate new business by bringing visitors directly to their online booking pages. Many companies use these services to help simplify reservations but also to control costs. Expenses are a significant concern for many companies, and online corporate reservation systems can reduce time spent on bookings, as well as enforcing travel rules and cost ceilings (for more details on controlling costs, see gbta.org/usa/About/Pages/TheValueofTravelManagement.aspx).

Example: American Express's Business Travel Helps URS Corp. to Survive Hurricanes

In order to repair the damage caused by Hurricane Katrina, URS Corporation (a large engineering and architectural design firm) realized that they needed an automated system to identify travelers in need of immediate assistance. A solution was found by implementing American Express Business Traveler's TrackPoint system (trackpoint.amexgbt.com), which "enables companies to quickly interface impacted travelers, pinpoint their locations, and review their itineraries" (see businesstravel.americanexpress.com/se/files/2011/11/CS_URSCorp-US.pdf).

SECTION 3.3 REVIEW QUESTIONS

1. What travel services are available online that are not available offline?
2. List the benefits of online travel services to travelers and to service providers.
3. How do social networks facilitate travel?
4. Describe corporate online travel services.
5. Describe the competition in online travel services.

3.4 EMPLOYMENT AND THE ONLINE JOB MARKET

The online job market connects job seekers with potential employers. An online job market is now very popular with both job seekers and employers. In addition to job ads posted online and placement services available through specialized websites (such as careerbuilder.com and hotjobs.com), larger companies are building career portals on their corporate websites as a way of reducing recruitment costs and expediting the time to fill vacancies. Additionally, many applicants and employers are taking to social media networks to search for positions and find applicants. Advantages of the online job market over the traditional one are listed in Table 3.2.

The Internet Job Market

The Internet offers a comprehensive and large environment for job seekers and for recruiters. Nearly all *Fortune 500* companies now use the Internet for some of their recruitment activities. Online resources are the most popular recruitment option for many companies. Since 2000, online job recruitment revenues and volume significantly overtook print ad classifieds.

Table 3.2 Traditional versus online job markets

Characteristic	Traditional job market	Online job market
Cost	Expensive, especially in prime space	Can be very inexpensive
Life cycle	Short	Long
Place	Usually local and limited if global	Global
Context updating	Can be complex, expensive	Fast, simple, inexpensive
Space for details	Limited	Large
Ease of search by applicant	Difficult, especially for out-of-town applicants	Quick and easy
Ability of employers to find applicants	May be very difficult, especially for out-of-town applicants	Easy
Matching of supply and demand	Difficult	Easy
Reliability	Low, material can get lost in mail	High
Communication speed between employees and employers	Can be slow	Fast
Ability of employees to compare jobs	Limited	Easy, fast

In 2017, it is estimated that over 88% of available positions in the United States will be posted online. Tens of thousands of job-related sites are active in the United States alone. Note that many sites provide free lists of available positions. The US market is dominated by several major players, especially as Monster acquired Yahoo! HotJobs and CareerBuilder. However, socially oriented sites such as Craigslist, LinkedIn, Twitter, and Facebook are becoming very important online recruitment sites (see askingsmarterquestions.com/how-to-recruit-online-finding-talent-with-facebook-twitter-study).

Online Job Markets on Social Networks

According to Del Castillo (2016), 25% of job seekers use social media as their primary job search tool, and 70% of 18–34-year-olds found their last job through social media. Recruiters are also rapidly adopting, with 92% using LinkedIn, 54% using Facebook, and 24% using Google+. LinkedIn reports in 2016 that hiring managers are moving to social networks not only to find the best candidate but also because finding quality candidates is becoming more competitive (see the presentation at business.linkedin.com/content/dam/business/talent-solutions/global/en_us/c/pdfs/GRT16_GlobalRecruiting_100815.pdf). Facebook has many features that help people find jobs and help employers find candidates. One such feature is Jobcast (jobcast.net), which is an app for companies to place on their Facebook page to recruit candidates. The app, which has different types of plans (free and paid), offers social sharing to LinkedIn and Twitter, as well as to Facebook. Their app on Facebook is for jobseekers and employers to connect, and they also have interesting articles regarding the job market. (See facebook.com/jobcastnet.) Another way for employers and jobseekers to connect via Facebook is through a company called FindEmployment (facebook.com/findemployment), which also offers tips and suggestions for job seekers. A similar service is provided by linkedin.com/job. Craigslist, for example, claims more than one million new job listings every month. The LinkedIn search engine can help employers find appropriate candidates quickly.

While LinkedIn was previously seen as the preferred outlet to search for positions and applicants, the tools provided by Facebook are helping to challenge that superiority (Costine 2016). While LinkedIn is considered to be more professional and easier to search by recruiters, Facebook has a larger and more active user base. But, some Facebook users are concerned about the co-mingling of their personal and professional lives. While this may have some effect, many believe that Facebook may grow to parity with LinkedIn, especially with younger users (see linkhumans.com/blog/rise-facebook-recruitment). LinkedIn is looking to counter this trend with several new features, including a new effort aimed at younger users looking for their first position out of college (see students.linkedin.com).

For more on social networking activities in recruiting, see Budzienski (2015).

In addition, *job referral social networking* sites solve the need for finding the right people for the job (e.g., jobster.com). These sites provide job seekers opportunities to promote themselves and their areas of expertise, as well as help them be discovered by employers. The site's algorithms enable headhunters to analyze qualified applicants by different criteria. When a job offer is made, the job referral site receives referral fees. Lately, the use of Twitter as an aid for job searches has increased. Bortz (2014) provides a strategy for job seekers and for how to use Twitter to access recruiters and increase job seekers' visibility (also see jobmob.co.il/blog/beginners-guide-find-a-job-with-twitter).

Table 3.3 Advantages of the electronic job market for job seekers and employers

Advantages for job seekers	Advantages for employers
Can discover a large number of job openings	Can reach a large number of job seekers
Can communicate directly and quickly with potential employers	Can reduce recruitment costs
Can market themselves quickly to appropriate employers (e.g., quintcareers.com)	Can reduce application processing costs by using electronic application forms
Can post résumés for large-volume distribution (e.g., at careerbuilder.com)	Can provide greater equal opportunity for job seekers
Can search for available positions any time	Opportunity of finding highly skilled employees who match the job requirements
Can obtain several support services at no cost (e.g., careerbuilder.com and monster.com provide free career planning services)	Can describe positions in great detail
Can determine appropriate salaries in the marketplace (e.g., use salary.com and rileyguide.com ; look for salary surveys)	Can interview candidates online (e.g., using video conferencing)
Can learn how to behave in an interview (greatvoice.com)	Can arrange for testing online
Can access social network groups dedicated to electronic job markets	Can view salary surveys for recruiting strategies
	Can use existing staff to refer applicants

Sources: Based on Taylor (2016), Princeton University (2016), and the authors' experiences

Global Online Portals for Job Placement

The Internet is very helpful for anyone looking for a job in another country. An interesting global site for placing/finding jobs in different countries is xing.com. The electronic job market may increase employee turnover and its costs. Finally, recruiting online is more complicated than most people think, mainly because there are so many résumés online. To facilitate recruitment, top recruiters are seeking the benefits of using new tools like video conferencing to interview and connect with candidates from remote locations.

Benefits and Limitations of the Electronic Job Market

The online job market has many benefits for both job seekers and recruiters. The major advantages are shown in Table 3.3. For more on the advantages of attending job fairs, see careercast.com/career-news/how-rock-virtual-job-fair. For benefits of virtual recruiting, see smallbusiness.chron.com/advantages-virtual-recruitment-16632.html.

The electronic job market also has a few limitations, such as security and privacy. Posted résumés and employer-employee communications are usually not encrypted. Thus, confidentiality and data protection cannot be guaranteed. It is also possible that someone at a job seeker's current place of employment (e.g., his or her boss) could find out that that person is job hunting. LinkedIn, for example, provides privacy protection, enabling job seekers to determine who can see their résumé online. Additionally, while many positions are posted online, LinkedIn reports that 85% of jobs are still filled through networking activities, either before or after a posted position is applied for (see the report at linkedin.com/pulse/new-survey-reveals-85-all-jobs-filled-via-networking-lou-adler). Users of other social sites, such as Facebook, may be concerned that personal information, photos, and events may be scrutinized by potential employers (see repnup.com/blog/2015/09/09/employers-can-find-your-facebook-profile-set-to-private).

For tips on how to protect your privacy while job hunting, see guides.wsj.com/careers/how-to-start-a-job-search/how-to-protect-your-privacy-when-job-hunting or youtu.be/xJH-YXsjH3k.

SECTION 3.4 REVIEW QUESTIONS

1. What are the driving forces of the electronic job market?
2. What are the major advantages of the electronic job market to the candidate? To employers?
3. Why is LinkedIn so useful for job seekers and for employees? List the specific tools provided by EC to job seekers.
4. List the specific tools provided by recruiters.
5. What are the limitations of electronic job markets?

3.5 ONLINE REAL ESTATE, INSURANCE, AND STOCK TRADING

Online infrastructures enable additional marketing channels and new business models and provide new capabilities. The infrastructures provide a different way of delivering products and services. Some major services are presented in this and the following section.

Real Estate Online

Changes in online real estate information search and transactions significantly impact the way that business is conducted.

To get some idea of the changes, see realtor.org/research-and-statistics, and for statistics on the growth of the online and offline real estate markets, see realtor.org/research-and-statistics/research-reports. For example, in 2015, 74% of all realtors used social media tools regularly. Additional studies by the National Association of Realtors® (NAR) have shown that over 42% of real estate buyers begin their searches for properties on the Internet and 87% of all recent buyers used the Internet at some point in their home search (National Association of Realtors® 2015).

E-commerce and the Internet are slowly but surely having an ever-increasing impact on the real estate industry. For example, despite the changes that are beginning to emerge, real estate agents have not been disintermediated. Home buyers today tend to use both real estate agents and the Internet. One possible impact is declining commissions that sellers pay agents (Harney 2017).

Zillow, Craigslist, and Other Web 2.0 Real Estate Services

Craigslist (craigslist.org), Zillow (zillow.com), and Trulia (trulia.com) are examples of Web 2.0 free real estate services. Both reduce the use of newspaper classified advertising and allow buyers to find housing information and do price and location comparisons on their own.

Zillow operates the “Make Me Move” (zillow.com/make-me-move) service (free) that allows you to see for what price you would be willing to sell your home without actually putting it on the market (zillow.com/wikipages/What-is-Make-Me-Move). Homeowners may be motivated to sell when they see the price they can get when they list their homes (anonymously). Sellers can see prices of similar homes. Buyers can contact the sellers via anonymous e-mail. The company also provides free listings (including photos). Users can also participate in a blog or wiki, start a discussion, and engage in other social-oriented activities. Zillow also offers mortgage calculators and current loan rates. Zillow makes money from advertisers and was listed on the stock market in 2012. Zillow has several competitors (e.g., ziprealty.com and listingbook.com). Zillow offers its brand via more than a dozen websites (e.g., zillow.com/homes/for_rent and agentfolio.com). Zillow generates revenue by selling ads on its companion websites.

Craigslist has a major classified section for real estate (“for sale” and “for rent” listings). Listings are free except in some large cities, where brokers must pay a fee for placing ads.

Other entrants to the online real estate market include auction sites. While these types of services had existed in the past (ebay.com), they were less successful due to the complicated nature of real estate and buyers desire to thoroughly inspect the product. New sites like realtymid.com use the technology available today, including extensive photos and videos, to help facilitate this process.

Many real estate service sites are embracing the use of augmented reality and virtual reality in advertising their listings. These systems allow customers to interact in an interactive virtual environment when being shown a property or as they consider it. These systems are being cautiously adopted, especially in more competitive environments (Mazzara 2015). These systems are provided by companies like AR Pandora (arpandora.com) and VR Global (vrglobal.com/real-estate). For a guide on how augmented reality can be used when selling a home, see the guide at crcbr.org/augmented-reality-enhancing-the-real-estate-experience. An example video of an augmented reality tour is available at youtu.be/TRoK-L0m-zg.

Insurance Online

An increasing number of companies use the Internet to offer standard insurance policies, such as auto, home, life, or health, at a substantial discount, mostly to individuals. Furthermore, third-party aggregators offer free comparisons of available policies. Several large insurance and risk-management companies offer comprehensive insurance contracts online (e.g., allstate.com, ensurance.com, statefarm.com/insurance, progressive.com/insurance-choices, geico.com). Although many people do not trust the faceless insurance agent, others are eager to take advantage of the reduced premiums. Many insurance companies use

a dual strategy, using sales agents in the field but also selling online. (e.g., advertising on e-mails and Google searches.) Like real estate brokers, insurance brokers send unsolicited e-mails to millions of people. The stiff competition will probably reduce the commission for the surviving agents. Different types of insurance are harder to quote, home insurance, for example. Other types such as car insurance are more straightforward, and quote aggregators are able to search multiple providers at a single time (see thezebra.com for an example).

Example

The insurance industry has seen that over 86% of potential insurance customers are researching and gathering information on the Internet. Thus, insurance companies are trying to capitalize on this trend. Many insurance companies are quickly rolling out a variety of online tools to meet this need (bain.com/publications/articles/for-insurance-companies-the-day-of-digital-reckoning.aspx).

Online Stock Trading and Investments

The commission for an online trade is between \$1 and \$15 (“dirt-cheap brokers”) to \$15–\$30 (“mid-priced discount brokers”), compared with an average fee of \$100–\$200 per trade from a full-service broker (see investopedia.com/university/broker/broker1.asp). With online trading, there are no busy telephone lines, and the chance to err is small, because there is no oral communication in a frequently noisy environment. Orders can be placed from anywhere, at any time, and there is no biased broker to push a sale. Furthermore, investors can find a considerable amount of free research information about specific companies or mutual funds. Many services provided to online traders include online statements, tax-related calculations, extensive research on industries, real-time news, and even tutoring on how to trade (e.g., check etrade.com or google.com/finance).

How does online trading work? Let us say an investor has an account with Charles Schwab. The investor accesses Schwab’s website (schwab.com), enters an account number and password, and clicks on “stock trading.” Using a menu, the investor enters the details of the order (buy, sell, margin or cash, price limit, or market order). The computer tells the investor the current (real-time) “ask” and “bid” prices, just as a broker would do over the telephone, and the investor can approve or reject the transaction. See a video on Schwab’s online tools at youtu.be/sqqmY8I8gxU. You can also download a full report of state of online brokerage platforms at scivantage.com/celent-defines-the-state-of-online-brokerage-platforms-in-new-report. The flow chart of this process is shown in Fig. 3.3.

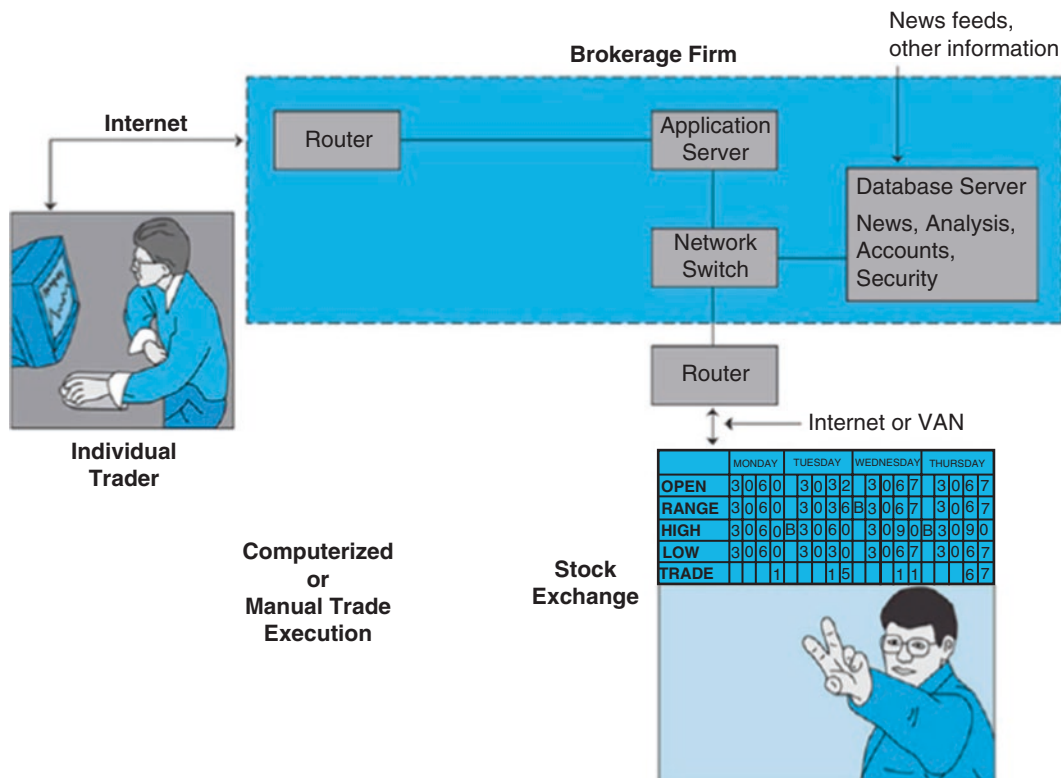


Fig. 3.3 Online electronic stock trading

A new breed of online investing sites is based on the concept of actively managed investments (generally only available to high net worth individuals) that rely on computer trading algorithms to manage trading activity and minimize taxable income. These firms hope to strike a middle ground between index fund investing and active individual trading. Current market leaders include wealthfront.com and betterment.com.

Some companies, including Schwab, are now also licensed as exchanges. This allows them to match the selling and buying orders of their own customers for many securities in 1–2 s. Some well-known companies that offer online trading are E*TRADE, TD Ameritrade, Scottrade, and ShareBuilder.

With the rapid pace of adoption of mobile computing, mobile stock trading is becoming more and more popular (e.g., see the mobile offering from E*TRADE). For example, users can pay bills and purchase stocks.

SECTION 3.5 REVIEW QUESTIONS

1. List the major online real estate applications.
2. What are the advantages of selling insurance online?
3. What are the advantages of online stock trading?

3.6 ONLINE BANKING AND PERSONAL FINANCE

Electronic (online) banking (e-banking) refers to conducting banking activities online. Consumers can use e-banking to check their accounts, pay bills online, secure a loan, transfer money, and much more. Sixty-one percent of US adult Internet users bank and pay bills online (pewinternet.org/files/old-media/Files/Reports/2013/PIP_OnlineBanking.pdf), and 46% of US customers have made a mobile payment (see pewtrusts.org/en/research-and-analysis/issue-briefs/2016/05/who-uses-mobile-payments). Several sites have tools that can help you with personal finance and budgeting. Examples are mint.com, geezeo.com, and kiplinger.com.

E-Banking

E-banking saves users' time and money. For banks, it offers a rapid and inexpensive strategy to acquire out-of-the-area customers. In addition, the banks may need fewer branches or employees. Many physical banks now offer online banking services, and some use EC as a major competitive strategy.

Online banking in general has been embraced worldwide, including developing countries. For example, online banking in China is increasing rapidly in popularity, especially among China's new educated middle class who live in the more developed cities. It is facilitated by the use of smartphones and other mobile devices. (See hsbc.com.cn/1/2/personal-banking/e-banking/personal-internet-banking and Bank of China boc.cn/en.)

Online Banking Capabilities

Banking applications can be divided into the following categories: informational, administrative, transactional, portal, and others. In general, the larger the bank, the more services are offered online.

Many banks have diligently added services to help grow acceptance and use of this format, which is less expensive for them than having employees and branches. While the initial efforts in online banking were little more than online statements, the features available today have expanded greatly. These features include the ability to pay bills, transfer money, open new accounts, take out loans, research banking investments, and check credit scores (see gobankingrates.com/banking/history-online-banking). Many of these services are designed to allow customers to support themselves without the need for interaction with bank employees. Some banks are extending this thinking further and using AI-driven systems to support customers. For example, Singapore's POSB Bank launched an AI chatbot that answers customer questions through Facebook Messenger. The company hopes that this system will provide customers with the information they need while eliminating the need for employees (see enterpriseinnovation.net/article/posb-launches-its-first-ai-driven-chatbot-facebook-messenger-860619969).

Pure Virtual Banks

Virtual banks have no physical location and conduct only online transactions. Security First Network Bank (SFNB) was the first such bank to offer secure banking transactions on the Web. Amid the consolidation that has taken place in the banking industry, SFNB has since been purchased and now is a part of RBC Bank (rbcbank.com). Other representative virtual banks in the United States are the First Internet Bank (firstib.com) and Bank of Internet USA (bankofinternet.com).

However, more than 97% of the hundreds of pure-play virtual banks failed by 2003 due to a lack of financial viability. Many more failed during 2007–2012. The most successful banks seem to be of the click-and-mortar type (e.g., Wells Fargo, City Corp, HSBC).

Virtual banking can be done with new business models, one of which is P2P lending.

P2P Lending

The introduction of online banking enables the move of personal loans to the Web in what is called *online person-to-person money lending* or in short *P2P lending*. This model allows people to lend money and to borrow from each other via the Internet. For how P2P loans work, see thebalance.com/how-peer-to-peer-loans-work-315730 and youtu.be/G1eXrutcJTI.

Examples

Two examples of peer-to-peer (P2P) online lending are Zopa Limited in the United Kingdom (zopa.com) and Prosper Marketplace in the United States (prosper.com). Note that despite the global credit crunch of 2008–2012 and the fact that neither has a government-backed guarantee, both Zopa and Prosper are enjoying solid growth. For example, as of May 2016, Zopa's 53,000 active members had lent more than £1.45 billion at negotiated rates to UK customers, mainly for car payments, credit card debts, and home improvements. The default rate of these P2P lenders is very low (e.g., Zopa's historical bad debt is 0.19% since 2010) since money is lent only to the most credit-worthy borrowers. For Prosper's company overview, see prosper.com/about.

A word of caution about virtual banking, including P2P lending: Before sending money to any cyberbank, especially one that promises high interest rates for your deposits, make sure that the bank is a legitimate one. Another important factor is to understand the policies and risks associated with both P2P lending and the individual lending company. For more information on trends and risks, see (moneyandbanking.com/commentary/2015/3/16/the-cloudy-future-of-peer-to-peer-lending).

CASE 3.2: EC APPLICATION SECURITY FOR ONLINE BANK TRANSACTIONS

Banks provide extensive security measures to their customers. The following describes some of the safeguards provided.

Customers accessing a bank system online must go through encryption provided by SSL (Secure Socket Layer) and digital certificate verification. The verification process assures users each time they sign on that they are indeed connected to their specific bank. The customer inquiry message then goes through an external firewall. Once the log-on screen is reached, a user ID and a password are required. This information flows through a direct Web server and then goes through an internal firewall to the bank's application server. This process is illustrated in Fig. 3.4.

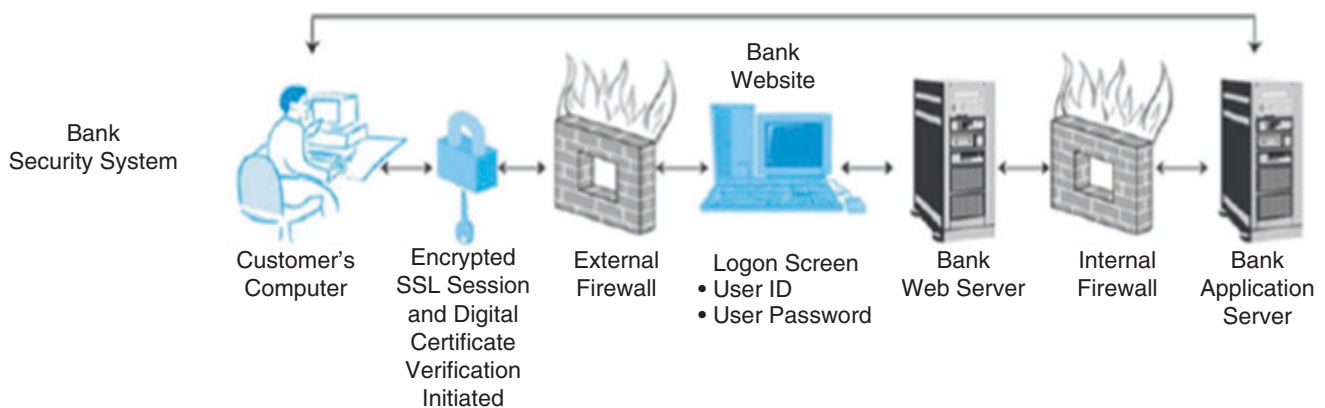


Fig. 3.4 Security for online banking transactions

Information is shared among banks' business partners only for legitimate business purposes.

Banks do not capture information provided by customers when conducting hypothetical scenarios using planning tools (to ensure privacy). Many banks use cookies to learn about their customers; however, customers can control both the collection and in some cases the use of such information. In addition, most banks provide suggestions on how users can increase security (e.g., by using a browser that supports 128-bit encryption).

With the increased use of mobile devices, the threat of security risks has increased. Banks are creating innovative solutions. For example, in January 2009, Bank of America introduced "SafePass," a feature that can generate a six-digit, one-time passcode that is necessary to complete an online transaction. The passcode is delivered via text message to your mobile device. (See bankofamerica.com/privacy/online-mobile-banking-privacy/safepass.go.) A similar device is offered by other financial institutions.

Another concern of banks is larger-scale attacks in the form of DDOS, phishing, and malware attacks. The Bank of England recently simulated a significant cyberattack and found that they may be lacking several areas. Experts recommend that financial institutions adopt five best practices to better combat these threats (Reeves 2014). These include:

1. Drive better risk assessment.
2. Adopt strong authentication standards.
3. Take a layered approach.
4. Explore advanced authentication techniques.
5. Enhance customer awareness and education.

Even with these institutional safeguards, it is also important for individuals to maintain good security habits as well. For more information on online banking security, download the "Online Banking Guide" from First Commonwealth Bank (fcbanking.com/media/Online-Banking-Guide.pdf) or see Zaharia (2016).

Questions

1. Why is security so important for a bank?
2. Why is there a need for two firewalls?
3. Who is protected by the bank's security system—the customer, the bank, or both? Elaborate.
4. What might be the limitations of such a security system?

Example

Some banks have multistage security systems. For example, the Central Pacific Bank (centralpacificbank.com) asks you to log in (with your ID) and then answer security questions to which you previously provided the answers. You then see an image on the screen that you preselected. If you do not recognize the image and a preestablished phrase, you know you have not accessed the real bank. If all answers are provided satisfactorily, you provide a password to enter your account.

Risks

Online banks, as well as click-and-mortar banks, might carry some risks and problems, especially in international banking. The first is the risk of hackers accessing their accounts. In addition, some believe that virtual banks carry a *liquidity* risk (the risk of not having sufficient funds to pay obligations as they become due) and could be more susceptible to panic withdrawals. Regulators are grappling with the safeguards that need to be imposed on e-banking.

Online Billing and Bill Paying

The popularity of e-payments is growing rapidly. The number of checks the US Federal Reserve System processes has been decreasing, while the volume of commercial Automated Clearing House (ACH) transactions has been increasing. Many people prefer online payments of monthly bills such as mortgage payments, car loans, telephone, utilities, rent, credit cards, cable, TV, and so on. The recipients of such payments are equally eager to receive money online because online payments are received much more regularly and timely and have lower processing costs.

Another method for paying bills via the Internet is electronic billing or electronic bill payment and presentment (EBPP). With this method, the consumer makes payments at each biller's website, either with a credit card or by giving the biller enough information to complete an electronic withdrawal directly from the consumer's bank account. The biller sends the invoice to the customer via e-mail or a hosting service site. The customer then authorizes and initiates a payment via an automatic authorization, e-check, and so forth.

Taxes

One important area in personal finance is advice about and computation of taxes. Dozens of sites are available to help people with their federal tax preparations. Many sites will help people legally reduce their taxes. The following list offers some sites worth checking:

- irs.gov: The official website of the Internal Revenue Service.
- taxsites.com: A massive directory of tax-related information, research, and services.
- fairmark.com: A tax guide for investors.
- taxaudit.com: IRS tax audit help and audit assistance.

Mobile Banking

Mobile banking is a system that enables people to conduct financial transactions from a smartphone or other wireless mobile device. Many of the recent developments are in the area of mobile banking. Topics such as payments from smartphones and handling micropayments have revolutionized the financial systems. In 2016, 43% of mobile phone owners with a bank account used a mobile application; this was up to 39% from the previous year. You can download the report from the Federal Reserve at federalreserve.gov/econresdata/consumers-and-mobile-financial-services-report-201603.pdf. For a comparison of different mobile banking apps, see magnifymoney.com/blog/consumer-watchdog/best-worst-mobile-banking-apps-100-banks-credit-unions.

SECTION 3.6 REVIEW QUESTIONS

1. List the capabilities of online banking. Which of these capabilities would be most beneficial to you?
2. How are banks protecting customer data and transactions?
3. Define a P2P loan system.
4. How are banking transactions protected?
5. What is mobile banking?

3.7 ON-DEMAND DELIVERY OF PRODUCTS, DIGITAL ITEMS, ENTERTAINMENT, AND GAMING

This section examines B2C delivery issues related to on-demand items, such as perishable products, as well as the delivery of digitizable items, entertainment, and games.

On-Demand Delivery of Products

Most e-tailers use third-party logistics carriers to deliver products to customers. They might use the postal system within their country, or they might use private shippers such as UPS, FedEx, or DHL. Deliveries can be made within days or overnight. Customers are frequently asked to pay for expedited shipments (unless they have a "premium" subscription, such as Amazon.com Prime; amazon.com/Prime).

Some e-tailers and direct marketing manufacturers own a fleet of delivery vehicles in order to provide faster service or cut delivery costs to the consumer. According to Mark Sebba, CEO of Net-a-Porter (net-a-porter.com), the company prefers "to do as much as possible in-house, which includes operating their own delivery vans for customers in London and Manhattan"

(see net-a-porter-brand.blogspot.com/2013/05/some-more-current-content.html). Such firms provide either regular deliveries or will deliver items on demand (e.g., auto parts). They might also provide additional services to increase the value proposition for the buyers. An example in this category is an online grocer, or *e-grocer*. An **e-grocer** is a grocer that takes orders online and provides deliveries on a daily or other regular schedules or within a very short period of time, sometimes within an hour. Home delivery of food from restaurants or pizza parlors is another example. In addition, office supply stores, repair parts distributors (e.g., for cars), and pharmaceutical suppliers promise speedy, same-day delivery.

An express delivery option is referred to as an **on-demand delivery service**. In such a case, the delivery must be done quickly after an order is received. A variation of this model is same-day delivery. According to this model, delivery is done faster than “overnight” but slower than the 30–60 min expected with on-demand delivery of pizzas, fresh flowers, or auto repair parts. E-grocers often deliver using the same-day delivery model.

Speed of Delivery

Speed of delivery is critical not only for groceries and perishable items but also for other on-demand and large items. For example, uber.com is an on-demand traveler’s delivery service. Since 2013, they have also partnered with retailers like Home Depot and Oleander (see newsroom.uber.com/uae/ubertree and businessinsider.com/uber-christmas-tree-delivery-britain-pines-and-needles-app-2015-12) to deliver Christmas trees.

The fastest delivery in the future may be by drones. Amazon.com, UPS, and Google are exploring this phenomenon. In 2014, Facebook decided to “jump on the bandwagon” with the purchase of drone maker Titan Aerospace for \$60 million (see forbes.com/sites/briansolomon/2014/03/04/facebook-follows-amazon-google-into-drones-with-60-million-purchase). Amazon leads the market in this area and has successfully completed a commercial drone delivery in late 2016 (see mashable.com/2016/12/14/amazon-first-drone-delivery). Additionally, nonretail companies are beginning to explore this market. An example is Flirtey (flirtey.com) that recently raised \$16 million in VC capital to provide both services and hardware (see techcrunch.com/2017/01/18/drone-delivery-startup-flirtey-raises-16-million-to-become-a-next-gen-ups/).

Online Delivery of Digital Products, Entertainment, and Media

Certain goods, such as software, music, or news stories, can be distributed in physical format (such as hard copy, CD-ROM, DVD, and newsprint), or they can be digitized and delivered over the Internet. Online delivery is much cheaper and saves sellers storage room, handling, and distribution costs.

Online Entertainment

Online entertainment is growing rapidly and is now the most popular medium in the United States among young people between the ages of 8 and 17. There are many kinds of Internet entertainment. It is difficult to categorize them precisely because there is a mixture of entertainment types, delivery modes, and personal taste. All these must be considered when deciding whether something is entertainment or not and what kind of entertainment it is. Some online entertainment is interactive, in that the user is engaged in it. PricewaterhouseCoopers (2016) predicts that the global entertainment and media industry spending will reach over \$172 billion in 2020 in the United States alone. This includes cinema, video games, music, and TV/video. Video games have the largest predicted growth at 3.6% between 2015 and 2020.

All forms of traditional entertainment are now available over the Internet. However, some have become much more popular in the new environment due to the capabilities of technology. For example, Facebook’s online games attract millions of players.

iTunes

iTunes (apple.com/itunes) is a media management software by Apple that includes an online store for buying music and other media. The program also enables you to organize and play the digital items you downloaded. Note that iTunes and similar services have basically crushed the music industry (see money.cnn.com/2013/04/25/technology/itunes-music-decline), similar to the way netflix.com has impacted the sale of DVDs and CDs. A 2014 study by Asymco found at asymco.com/2014/02/10/fortune-130 discovered that iTunes is more profitable than Xerox and Time Warner Cable (see wallstreetcheatsheet.com/stocks/study-itunes-is-more-profitable-than-xerox-and-time-warner-cable.html?a=viewall).

Online Ticketing

This popular service enables customers to buy tickets for events (e.g., sports, music, theater) by using a computer or mobile device. Companies such as Ticketmaster, Inc. are active in this area. Fandango is a company that sells movie theater tickets.

Internet TV and Internet Radio

Two similar streaming technologies are popular on the Web: Internet TV and Internet radio.

Internet TV

Internet TV is the delivery of TV content via the Internet by video streaming technologies. The content includes TV shows, sporting events, movies, and other videos. Several video-on-demand and subscription services, such as netflix.com, hulu.com, and hulu.com/plus, as well as amazon.com/Prime-Instant-Video, offer this service. For a comprehensive description of Internet TV, see wisegeek.org/what-is-internet-tv.htm. The major advantage is the ability to select what and when to view content and the ability to do so from computers, tablets, smartphones, Blu-ray consoles, Apple TV (apple.com/appletv), Roku (roku.com), Google Chromecast (google.com/intl/en/chrome/devices/chromecast), Aereo (aereo.com), and so forth.

Internet Radio

Known by several other names, **Internet radio** refers to audio content transmitted live via the Internet. It is a broadcasting service that enables users to listen online to thousands of radio stations (e.g., over 4000 in Europe; see listenlive.eu). The service can broadcast anything that is on the radio stations plus broadcasts from organizations, governments, and even individuals (radio.about.com/od/listentoradioonline/qt/bl-InternetRadio.htm). Internet radio has the same copyright issues as those of Internet TV. Note that in many cases, there is an agreement between the content creators and the distributors (e.g., Warner Music and Apple reached an iTunes Radio deal in 2013; see cnet.com/news/apple-reaches-iradio-deal-with-warner-music-suggesting-wwdc-launch and apple.com/itunes/itunes-radio).

Pandora Radio

Pandora is a leading free Internet radio that delivers music not only from radio stations but also from many other sources. The core of the service is the *Music Genome Project*. According to pandora.com/about, the project is an inclusive analysis of thousands of musical pieces. All the music in the project is available on Pandora for your listening pleasure.

Pandora is actually a music streaming and automated music recommendation service that in 2016 is available only in the United States, Australia, and New Zealand. Users can create up to 100 personalized stations that play prearranged selections. In February 2014, the company opened up its content submission process to independent artists (see submit.pandora.com, help.pandora.com/customer/portal/articles/24802-information-for-artists-submitting-to-pandora, and Hockenson (2014)). For Pandora's Help Center, see help.pandora.com.

Various e-tailers offer songs for sale to Pandora's listeners. You can access Pandora through many streaming media devices. You can enjoy Pandora for free on the Web, on home-listening devices, and on most mobile devices. Pandora One (pandora.com/one) has a monthly fee, but the benefits include ad-free service and higher-quality audio. Pandora is a profitable business. Its subscriber base continues to grow; in March of 2014, it had 75.3 million active listeners (investor.pandora.com/file/Index?KeyFile=22417465).

Social Television (TV)

Social TV is an emerging social media technology that enables several TV viewers who are in different locations to interactively share experiences such as discussions, reviews, and recommendations while watching the same show simultaneously. According to Mashable.com (mashable.com/category/social-tv), social TV is "the union of television and social media" and refers to "the phenomenon of people communicating with each other while watching a TV show or discussing with each other about television content using the Internet as a medium of communication." The communication can be done via texting in social networks, smartphones, tablets, etc. Social TV combines broadcast television programs and user-generated content with rich social media.

Characteristics of Social TV

Social TV has several unique characteristics:

- The possibility of discovering new video content and sharing this discovery with friends.
- Most social TV activities are done in real time by watching content and commenting on it to others, even if the viewers are in different locations.
- Social TV allows people to connect in a unique way, with other people who share the same interests.

Social TV is attracting an ample number of viewers. (The number of traditional television viewers is declining due to Internet viewing.)

Adult Entertainment

Online adult entertainment is probably the most profitable B2C model (usually with no or little advertisement; viewers pay subscription fees), and it accounts for a large percentage of Internet use. Adult content sites are popular because they provide a large and vivid selection, low fees (even free), and anonymity for those who watch. This popularity may cause a problem for some companies. According to reports by market research firms that monitor the industry, such as Forrester Research, IDC, Datamonitor, Mediabistro Inc., and Nielsen, viewers are willing to pay substantial fees to view adult sites.

Internet Gaming

Internet gaming is comprised of all forms of gaming such as arcade gaming, lotteries, casino gaming, and promotional incentives. Between 2008 and 2016, online gambling revenue continued to increase despite the bad economy. The global online gambling industry grew 8% during 2013 to reach \$35.5 billion. According to Statistica.com (2016), the online gaming market will reach almost \$56.1 billion in 2018. The ease of access and use of broadband services throughout the world in recent years has been vital to the expansion of online gaming.

Legal Aspects

Online gambling is booming despite the fact that it is illegal in almost all US states. In 2013, Delaware and Nevada were the first US states to allow some online gambling, followed by New Jersey (in October 2013, Delaware became the first state to allow a “full suite” of Internet gambling). In February 2014, both Delaware and Nevada signed a deal to allow interstate online gambling. Delaware reported \$1.8 million in state revenue in 2015. Note that federal law limits online gambling to players while they are physically within a given state. (This can be verified by using geolocation software.) Therefore, if one state allows online gambling, you can play only when you are in that state. Online gambling is legal in other countries (e.g., Australia). By 2015, at least seven US states had pending legislation that would legalize online gambling.

Source: Based on Ruddock (2016), Fox News (2014), and Pempus (2016).

SECTION 3.7 REVIEW QUESTIONS

1. Describe on-demand delivery services.
2. Describe digital goods and their delivery process(es).
3. What are the benefits and limitations of digital delivery of software, music, and so forth?
4. What are the major forms of online entertainment?
5. Describe Internet TV, social TV, and Internet radio.
6. Describe Internet gambling and its challenges.

3.8 ONLINE PURCHASING DECISION AIDS

Many sites and tools are available to help consumers with online purchasing decisions. Some sites offer price comparisons as their primary tool (e.g., pricerunner.co.uk and shopzilla.com); others evaluate services, trust, quality, and other factors. Shopping portals, shopping robots (“shopbots”), business rating sites, trust verification sites, friends’ advice in social networks, and other shopping aids are available also. The major types are discussed next.

Shopping Portals

Shopping portals are gateways to webstores and e-malls. Specifically, they host many online stores simultaneously. Like any other portal, they can be comprehensive or niche oriented. Comprehensive, or general-purpose, portals have links to many different sellers and present and evaluate a broad range of products. An example of a comprehensive portal is eCOST.com (ecost.com). Several public portals also offer shopping opportunities and comparison aids. Examples are shopping.com (part of the eBay Commerce Network), shopping.yahoo.com, and pricegrabber.com. eBay (ebay.com) is a shopping portal also because it offers shopping at fixed prices as well as auctions. Several of these evaluation companies have purchasing shopbots or other, smaller shopping aids and have incorporated them into their portals.

Some shopping portals offer specialized items with links to certain products (e.g., books, phones) or services (universities, hospitals). Such portals also help customers conduct research. Examples include zdnet.com/topic-reviews and shopper.cnet.com for computers, appliances, and electronics. The advantage of niche shopping portals is their ability to specialize in a certain line of products.

For a comprehensive site with information on e-retailers, B2B, marketing, etc., see Internet Retailer (internetretailer.com).

Price and Quality Comparison by Shopbot Software Agents

Savvy Internet shoppers may want to find bargain shopping. **Shopping robots (shopping agents, shopbots)** are search engines that look for the lowest prices or other search criteria. Different shopbots use different search methods. For example, mySimon (mysimon.com) searches the Web to find the best prices and availability for thousands of popular items.

Google Enterprise Search and Enterprise Search Appliance

Google Enterprise Search helps companies search all internal and public-facing information.

Search is facilitated by a powerful server called Enterprise Search Appliance which enables many flexible search options including the search of some foreign languages.

A similar service is offered by SearchSpring (searchspring.net).

“Spy” Services

In this context, “spy” services are not the CIA or MI5. Rather, they are services that visit websites for customers, at their direction, and notify them of their findings. Web surfers and shoppers constantly monitor sites for new information, special sales, ending times of auctions, stock market updates, and so on, but visiting the sites to monitor them is time-consuming. Several sites will track stock prices or airline special sales and send e-mails accordingly. For example, money.cnn.com, pcworld.com, expedia.com, and alerts at google.com/alerts will send people personalized e-mail alerts.

Of course, one of the most effective ways to “spy” on Internet users is to introduce cookies and spyware to their computers.

Ratings, Reviews, and Recommendation Sites

Ratings and reviews by friends, even by people that you do not know (e.g., experts or independent third-party evaluators), are usually available for social shoppers. In addition, any user has an opportunity to contribute reviews and participate in relevant discussions. The tools for conducting ratings and reviews, which are presented next, are based on Charlton (2015), bazaarvoice.com/solutions/conversations, and the authors’ experiences. The major types of tools and methods are:

- **Customer ratings and reviews.** Customer ratings are popular; they can be found on product (or service) pages or on independent review sites (e.g., TripAdvisor) and/or in customer news feeds (e.g., Amazon.com, Buzzillions, and Epinions). Customer ratings can be summarized by votes or polls.
- **Customer testimonials.** Customer experiences are typically published on vendors' sites and third-party sites such as TripAdvisor. Some sites encourage discussion (e.g., Bazaarvoice Connections; bazaarvoice.com/solutions/connections).
- **Expert ratings and reviews.** Ratings or reviews can also be generated by domain experts and appear in different online publications.
- **Sponsored reviews.** These reviews are written by paid bloggers or domain experts. Advertisers and bloggers can find each other by searching through websites such as sponsoredreviews.com, which connects bloggers with marketers and advertisers.
- **Conversational marketing.** People communicate via e-mail, blog, live chat, discussion groups, and tweets. Monitoring conversations may yield rich data for market research and customer service. An example of a conversational marketing platform is Adobe Campaign (adobe.com/solutions/campaign-management.html, formerly Neolane).
- **Video product review.** Reviews can be generated by using videos. YouTube offers reviews that are uploaded, viewed, commented on, and shared.
- **Bloggers' post-reviews.** This is a questionable method, however, since some bloggers are paid and may use a biased approach. However, many bloggers have reputations as unbiased sources. For example, you can see a list of 100 product review blogs for books at blog.feedspot.com/bookreview_blogs/.

Many websites rate various e-tailers and online products based on multiple criteria. Bizrate (bizrate.com) and Consumer Reports Online (consumerreports.org) are well-known rating sites. Bizrate.com organized a network of shoppers that reports on various sellers and uses the compiled results in its evaluations. Note that different rating sites provide different rankings. Alexa Internet, Inc. (alexa.com; an Amazon.com company) computes Web traffic rank; see alexa.com/pro/insight.

Comparison Shopping Websites

A large number of websites provide price comparisons for products and services (e.g., online tickets, cruises). Online retailers such as Amazon.com also provide price comparisons and so do many other sites (e.g., nextag.com, pricegrabber.com, mysimon.com). FreePriceAlerts.com (freepricealerts.com) is a price comparison app.

Social Network Influence

Social networks can play an important role in influencing customer purchases both through referrals and requests for information. While these systems are not as defined and regimented as other purchasing aids, they can be significantly more influential. Based on a new report by Deloitte Digital (2015), the dollar impact of comparison shopping due to digital and mobile use was over \$2.67 trillion. This amount included the use of digital and mobile devices to comparison shop, as well as social media influences. Another recent survey by PricewaterhouseCoopers indicated that 45% of respondents were influenced by reading reviews, comments, and feedback on products and services (eMarketer 2016). Both studies indicate that it is important for retailers to cultivate positive reviews and feedback of their products and services, as well as encourage happy customers to be vocal about their opinions.

Trust Verification Sites

With so many sellers online, many consumers are not sure whom they should trust. A number of companies evaluate and verify the trustworthiness of various e-tailers. One such company is TRUSTe (truste.com). The TRUSTe seal appears at the bottom of each TRUSTe-approved e-tailer's website. E-tailers pay TRUSTe for the use of the seal (which they call a "Trustmark"). TRUSTe's 1300 plus members hope that consumers will use the seal as an assurance and as a proxy for actual

research into their conduct of business, privacy policy, and personal information protection. Trust sites grant a *trust seal* for a business to display, demonstrating to customers the level of quality. For an overview of the services TRUSTe provides, see the video at youtu.be/tT89ZvX1C7E?list=PLr7xw10POys7r265jYCgrKX7m7GBOacJz. TRUSTe now offers a service for mobile devices, called TRUSTed apps (truste.com/products-and-services/enterprise-privacy/TRUSTed-apps), which provide ongoing monitoring and safeguarding of brands to ensure that merchants' mobile apps are trusted by consumers.

Some comprehensive trust verification sites are Symantec Corporation's VeriSign (verisign.com) and BBBOnline (bbb.org). VeriSign tends to be the most widely used. Other sources of trust verification include Secure Assure (secureassure.co.uk), which charges yearly fees. In addition, Ernst & Young, the global public accounting firm, has services for auditing e-tailers in order to offer some guarantee of the integrity of their business practices. Other sites that perform similar services are trust-guard.com and trust-verified.org. For the results of a 2013 survey on which site seal people trust the most, conducted using Google Consumer Surveys, is reported at baymard.com/blog/site-seal-trust.

Concerns About Reviews, Ratings, and Recommendations

Some people raise the issue of how accurate reported reviews and recommendations are. On some sites, fake reviews and claims are suspected to encompass 30–40% of the total reviews. In 2012, however, Yelp unveiled its Consumer Alerts, which shows warnings to users when they find businesses who have paid for reviews (see webpronews.com/just-how-bad-is-yelps-fake-review-problem-2014-01). As of mid-January 2014, Yelp has issued almost 300 Consumer Alerts. (For an example of a Consumer Alert, see searchengineland.com/yelp-turns-up-the-heat-285-consumer-alerts-issued-over-fake-reviews-181706.) There is also a concern about businesses paying money to bloggers for producing reviews. Some claim that such reviews may be biased. Another concern is that in cases of a small number of reviewers, a bias (positive or negative) may exist. Finally, it is wise to look at bloggers' review sites. As a side note, Amazon.com has compiled a list of the "Funniest Reviews" posted on their site, on products ranging from banana slicers to horsehead masks (see amazon.com/gp/feature.html?ie=UTF8&docId=1001250201).

Other Shopping Assisting Tools

Other digital intermediaries assist buyers or sellers, or both, with research and purchase processes. For example, escrow services (e.g., escrow.com and safefunds.com) assist buyers and sellers with the exchange of items and money. A trusted third party frequently is needed to facilitate the proper exchange of money and goods or to verify information. (Remember that trading partners usually do not even see each other.) Escrow sites may also provide payment processing support, as well as letters of credit.

- Similar to Craigslist, Angie's List (angieslist.com) helps its members find high-quality service companies and healthcare professional services in over 700 categories. Although there is a fee, its advantage over free review sites is there are no anonymous reviews and their data is certified, "so you get the whole story" (see angieslist.com/how-it-works.htm). Angieslist.com also provides a complaint resolution service and discounts from highly rated service companies. They also offer live support through a call center.
- To organize store information in a standard, easy-to-see, and understandable format, vendors can use tools such as facebook.com/thefind/. Shoppers can use the same tools to search once and compare products at every store, finding the best deals.

Another shopping tool is a *wallet*—in this case, an *electronic wallet*—which is a program that contains the shopper's information. To expedite online shopping, consumers can use electronic wallets so that they do not need to reenter the information each time they shop. Although sites such as Amazon.com offer their own specialized wallets, Microsoft Passport has two services, "a Single Sign-On service that allows members to use a single name and password to sign on to a growing number of participating websites, and a Wallet service that members can use to make fast, convenient online purchases."

Example: Yelp

Yelp (yelp.com) is a search engine whose mission is to help people find local (in a specific city) qualified services ranging from mechanics to restaurants to hairstylists based on recommendations of fellow locals. It connects people with businesses. Community members, known as "Yelpers," write reviews of the businesses and then rate them. Yelpers also find events and special offers and can connect with each other by posting "conversations" on different topics (e.g., to "talk" with someone from Los Angeles, see yelp.com/talk/la). For details, see yelp.com/faq.

Aggregators

These are sites that aggregate information from many other sites and bring them to one place. Yipit (yipit.com) is a free “e-mail based daily aggregator” that gathers deals (“every deal in your city”) on products from daily deal sites such as Groupon, Living Social, etc. Tell Yipit what you want, and they will alert you when there are deals that match, usually at a fraction of the retail price (yipit.com/about).

Digital Coupons

Shoppers are introduced to a new generation of coupons, which can be described as “no clip and no print.” This is how it works. You register, for example, with the “Just-For-U” program at Safeway. You click on the special sale items or on the coupon of a product you want. When you go into Safeway and buy any of the products you clicked on (if they are available), you automatically receive a 10–20% discount. SavingStar Inc. (savingstar.com) and CoolSavings (coolsavings.com) offer similar nationwide services in the United States.

Self-Service

One of the major benefits of EC is that it facilitates self-service. By providing tools that enhance self-service, customers can improve their online shopping experience. Examples of self-service tools are configuration tools, calculators (e.g., for cost), FAQs, virtual online real-time assistants, application tools, and site searches.

SECTION 3.8 REVIEW QUESTIONS

1. Define shopping portals and provide two examples.
2. What are shopbots?
3. Explain the role of business and website ratings, reviews, recommendations, and site verification tools in the purchase decision process.
4. Why are escrow services useful for online purchases? Describe “spy” services in B2C EC.
5. How can a site motivate people to contribute their opinions on products and vendors?
6. Describe digital coupons.

3.9 THE NEW FACE OF RETAIL COMPETITION: RETAILERS VERSUS E-TAILERS

The introduction of B2C intensified the competition in the retail market. Prices are declining, while companies are disappearing or changing. For example, many retailers are adding an online channel to their offline offerings or adding Internet-only options. Adding an online retail channel helps, but many well-known retailers such as Best Buy, J.C. Penney, RadioShack, Sears, Staples, and Office Depot still are forced to close numerous physical stores and are struggling to survive (e.g., see clark.com/major-retailers-closing-2017, usatoday.com/story/money/business/2014/03/12/retailers-store-closings/6333865 and Schoon 2014). Let us first look at an overview of the competition.

The Online Versus Offline Competition: An Overview

The Oxford Handbook of the Digital Economy from oxfordhandbooks.com provides a comprehensive study by Lieber and Syverson (2012), which describes the nature of the competition as well as the interplay of online and offline retail markets. They also look at the characteristics of online shoppers and the changes in both the demand and supply. The major variables studied in the Oxford Handbook are:

- **Customers’ search cost.** With today’s shopping search and comparison engines and the use of mobile devices, the search cost to customers is very low, and its importance in the competition is probably declining.
- **Delivery time.** Order fulfillment in physical stores is usually immediate for physical goods. However, online companies are constantly reducing the time between purchase and consumption. Sometime in the future, delivery will be by drones. Amazon has been experimenting with this technology and completed its first commercial drone delivery in December

2016 (wsj.com/articles/amazon-conducts-first-commercial-drone-delivery-1481725956). In the meantime, e-tailers are developing efficient same-day delivery services, at least in the large metropolitan areas. Additionally, in 2013, Amazon.com partnered with the US Postal Service for Sunday delivery to Los Angeles and New York metropolitan areas, with service to extend to other cities in 2014 (see usatoday.com/story/tech/2013/11/11/amazon-Sunday-delivery-usps/3479055). Google Shopping Express (google.com/shopping/express) is a same-day delivery service in the San Francisco and San Jose areas, challenging similar services offered by Amazon.com and eBay (see Hsu 2014).

Obviously the delivery time of digitizable products is very fast in e-tailing. This is an important factor since prices and the quality of products sold online are getting to be similar in different stores, so delivery time becomes an important factor.

- **Distribution costs.** Traditional retailers need to spend money to build (or rent) stores, have inventory, advertise, etc. On the other hand, e-tailers need to pay for packing and shipments, but their advertising costs and inventory costs are lower. These costs vary, depending on the products, the geographical location, and more. The distribution costs can be an important factor in the competition.
- **Tax differences.** The advantage of online shopping is diminishing as the trend is to levy a tax on out of state online products. For example, Amazon is now charging sales tax in many US states (see startribune.com/smaller-states-rejoice-as-amazon-finally-collects-sales-tax/412087413).
- **Price.** Not only do online vendors offer lower prices on the same goods, but they also may create a price conflict within click-and-mortar companies (see Section “[Issues in E-Tailing and Lessons Learned](#)”).
- **Information available to buyers.** While buyers cannot physically examine goods they buy online, they can use the Internet to obtain considerable information on what they plan to purchase. In general, this is not a major factor in most transactions.
- **Other influencing factors.** Several other factors are important in the competition. For example, who the sellers are, who the buyers are, the distribution channels used, consumer satisfaction, level of consumer loyalty, and the relationship between the sellers’ online and offline marketing channels are all important. Finally, the shopping trends clearly indicate that more people are shopping online and spending more money doing so (e.g., see Moseti 2014). Younger people especially are turning to the so-called showrooming, meaning that shoppers go to a physical store to examine goods and check prices. Then they buy online at a lower price (see Isidore 2014). Shoppers are using apps on their mobile devices to compare prices (see Schwartz in 2015; and for some of the apps used, see verizonwireless.com/news/article/2014/01/showrooming-trend.html). Customers in general prefer to “touch and feel” items before they purchase them online (see cnbc.com/id/100597529).

Global Competition

As of 2016, we are seeing an increase in online global competition. For example, several Chinese companies are offering consumer electronic products at a discount when compared to what you can get at Amazon.com. After acquiring Buy.com, Japanese company Rakuten (rakuten.com) is competing in the US market by offering their website in English.

Retailers Versus E-Tailers

Since the beginning of EC in the mid-1990s, it has become clear that in certain industries, e-tailing will hurt brick-and-mortar retailers. Blue Nile is an example of disrupting the jewelry industry. Stock brokerages and travel agents also have become victims to pure-play competitors. Amazon.com initially concentrated on books, eliminating bookstores such as Borders. Today, Amazon.com is competing with thousands of retailers, including giants such as Walmart (see Petro 2016). *Encyclopedia Britannica* and many others no longer have printed editions. The initial line of defense for traditional retailers was to become a “click and brick,” namely, adding an online distribution channel to their physical presence. This helped some department stores and specialty stores, but not all.

Convergence and Omnichannel

Historically, pure-play e-tailors began to build brick-and-mortar locations for specific products and markets where they felt the physical presence of goods would aid competition against other retailers.

Examples of Click-and-Brick Retailers

Most large retailers have already migrated to be click-and-brick companies. Let us look at several examples.

Best Buy

Best Buy, like Walmart, Target, and others, added an online marketing channel. However, in contrast with GAP, Best Buy was not successful. One reason is that the company operates large-scale stores. Consumers come to the stores, examine the products, and go home and order them online (“showrooming”) on Amazon.com because it is much cheaper. In summer 2012, Best Buy reduced its prices to match those of Amazon.com. The result was that in August 2012, Best Buy, which is one of the world’s largest electronic retailers, saw its profit going down 91% in 1 year. Thus, the company decided to close 50 of its stores and also is moving to smaller stores to cut expenses. After this downturn, the company changed its strategy and has been significantly more successful. The “Renew Blue” campaign focused on two major areas to compete: pricing and specialty shops. Best Buy continues to price-match other retailers in the hopes of driving in-store sales. Additionally the company has lobbied states to institute sales taxes on online merchants to level the playing field. The company has also created “stores-within-stores,” with electronic giants Samsung and Microsoft opening their own stores within Best Buy stores. These changes have had a positive effect, and as late 2016, the company’s stock has started to rebound (see forbes.com/sites/panosmourdukoutas/2016/11/19/sorry-amazon-fans-best-buy-is-still-alive-and-rising/#31c493df3419).

SM Chain of Malls in the Philippines

According to Magdirira (2014), this huge chain smsupermall.com (over 230 malls and supermarkets across the Philippines) is launching full-scale online operations in 2016. The company seeks to expand its large footprint in the Philippines with continued growth in China and other Asian countries. SM hopes to expand with the growing acceptance of e-commerce in these markets (see techinasia.com/philippines-sm-malls-preparing-huge-ecommerce-entry and bloomberg.com/news/articles/2014-02-25/billionaire-sy-goes-online-as-web-draws-shoppers).

Other Strategies

According to PYMNTS.com (see pymnts.com/news/retail/2016/mobile-apps-employees-brick-and-mortar-retail), many retailers are providing apps that help shoppers locate and pay for items, while they are inside physical stores. The retailers can also provide digital discount coupons and make it easier for shoppers to place online orders for out-of-stock merchandise. For more on these strategies, see Hudson (2016).

What Can Traditional Retailers Do?

In addition to opening online channels and closing the least profitable stores, traditional companies have a few strategies to defend themselves. Here are representative examples:

Can Small Businesses Survive?

While large retailers such as Best Buy and hhgregg may go out of business, some small businesses may survive. Small businesses such as dogtoys.com and dell.com were pioneers of e-commerce and are still doing well. It seems that the success of small e-tailers is related to a strategy that includes:

- Niche markets. Products that cannot be produced in mass production (e.g., non-commodities) should be considered by a small business (e.g., provide custom-made and specialized products).
- Faster delivery than Amazon. Uniquely distributed products in local markets are ideal for small companies. (However, now, Amazon offers same-day delivery in select cities via its “Local Express Delivery” service.)
- Protect privacy. Amazon tracks customers’ movements on the Web.
- Concentrate on local markets.
- Provide outstanding customer service.
- Prices should be competitive.
- Maintain their reputation using such strategies as many small companies have done; either pure play, brick and mortar, or click and brick can survive and succeed.

Going Global

Some small companies (e.g., DogToys.com) have many global customers. Big companies, like Amazon.com, are also very active globally. For example, according to Brohan (2015), Amazon.com is Europe's largest online retailer with sales of over \$3.08 billion. Large companies acquire local EC companies or need to enter into joint ventures with them.

Examples

Ralph Lauren Corporation (ralphlauren.com), apparel designer, manufacturer, and retailer, is selling aggressively online in Europe. In 2013, it started to sell online in Japan. Online sales increased about 6% to \$889 million in Q4 2015, leading other distribution channels (internetretailer.com/2016/05/13/e-commerce-leads-ralph-laurens-q4-retail-sales-gain).

Conclusion

According to Isidore (2014) and many others, the future of brick-and-mortar retail does not look good. Many stores already have gone out of business. In addition, many retailers will go out of business sooner or later. Note that the online business is becoming more diversified. For example, Amazon.com is experimenting with the same-day delivery of vegetables and fruits, and China's e-commerce companies are moving on to banking (see Riley et al. 2014).

SECTION 3.9 REVIEW QUESTIONS

1. What are the major advantages of e-tailers over retailers?
2. Why is offline retailing in bad shape?
3. Discuss some strategies for small businesses to survive and succeed.
4. Why do e-tailers go global?

3.10 ISSUES IN E-TAILING AND LESSONS LEARNED

The following are representative issues and problems (and some lessons learned from them) that need to be addressed when conducting B2C EC.

Disintermediation and Reintermediation

Disintermediation refers to the removal of an intermediary that is responsible for certain activities between trading partners (usually in a supply chain). As shown in part B of Fig. 3.5, a manufacturer can bypass wholesalers and retailers, selling directly to consumers. Thus, B2C may drive regular retailers out of business. According to Lieber and Syverson (2012), half of the US travel agencies went out of business between 1997 and 2007 due to online competition.

However, consumers might have problems selecting an online vendor, vendors might have problems delivering goods to customers, and both might need an escrow service to ensure the transactions. Thus, new types of intermediaries might be needed, and services might be provided by new or by traditional intermediaries. This new activity is called **reintermediation**. It is pictured in part C of Fig. 3.5. An example of a company that provides these new roles of intermediation is Edmunds (edmunds.com), which provides consumers with information about cars (e.g., price comparisons, ratings, and the dealer costs). Another example would be travel agents who can arrange complicated trips, provide longer periods for holding reservations, arrange special tours, and spot deals. Such new role-playing companies can grow rapidly, while traditional intermediaries decline.

Resistance to Change

Intermediaries that may be eliminated, or their status and pay may decrease, might resist the change. One example is the computerization of the Chicago Mercantile Exchange (CME) and the Chicago Board of Trade (CBOT). The resistance by brokers there has been going on for a long time.

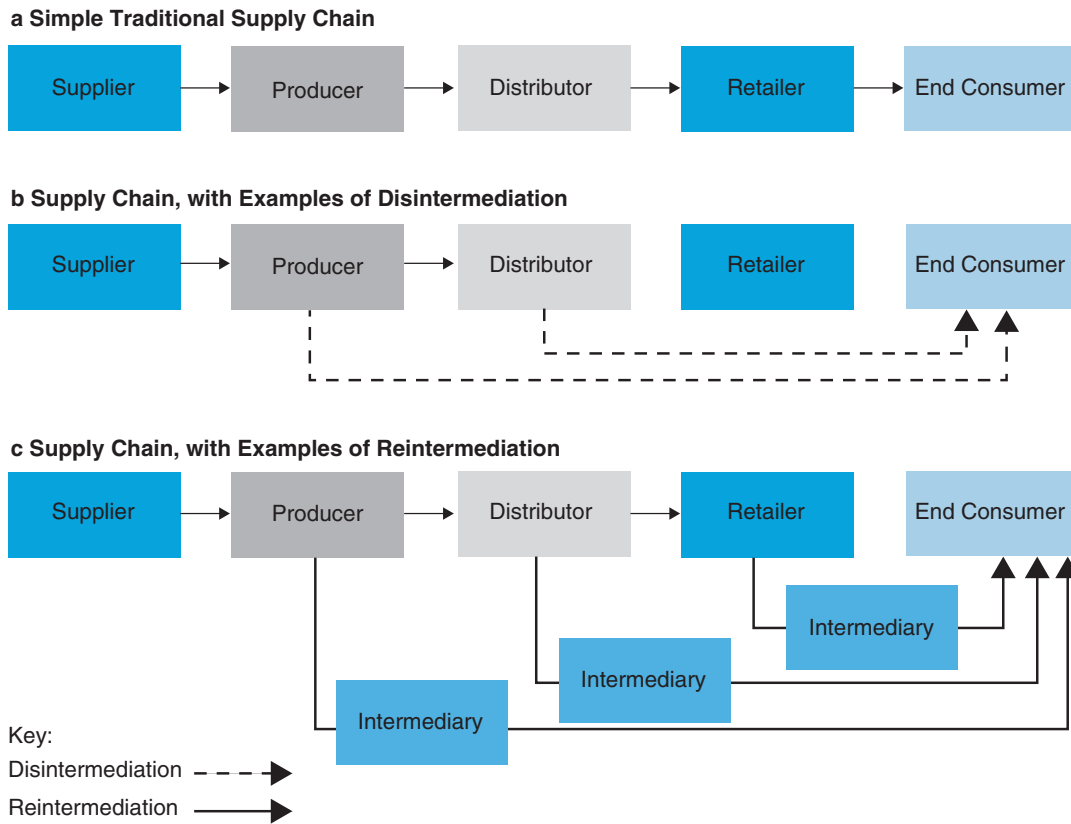


Fig. 3.5 Disintermediation and reintermediation in the B2C supply chain

Channel Conflict

Many traditional retailers establish a supplemental marketing channel when they start selling online. Similarly, some manufacturers have instituted direct marketing initiatives parallel with their established channels of distribution, such as retailers or dealers. In such cases, *channel conflict* can occur. **Channel conflict** refers to the case in which online sales damage the well-being of an existing channel partner. The extent of this conflict varies according to the nature of the industry and the characteristics of particular firms, but sometimes a move to sell online can damage old, valued relationships between trading partners. Channel conflict may occur when a move to online trading simply shifts a company's customers from their traditional stores to an online environment, thus cannibalizing the sales from the former and potentially negatively affecting the traditional outlets by rendering them less profitable. One model that can solve the conflict is to allow ordering and payment online, but the item is delivered to a physical store for pickup.

Product and Service Customization and Personalization

The Internet also allows for easy self-configuration (“design it your way”). This creates a large demand for customized products and services. Manufacturers can meet that demand by using a *mass customization* strategy (see en.wikipedia.org/wiki/Build_to_order and the white paper at enterpriseinnovation.net/whitepaper/online-commerce-plotting-course-personalization). As indicated earlier, many companies offer customized products on their websites.

In conclusion, e-tailing is growing rapidly as an additional marketing channel. In other words, the *click-and-brick model* is a successful one regardless of the conflicts cited. For more about e-tailing and multichanneling retailing, see dmsretail.com/etailing.htm.

Lessons Learned from Failures and Lack of Success of E-Tailers

As in the physical world, companies can also fail when doing business online. Although thousands of companies have evolved their online strategies into mature websites with extensive interactive features that add value to the consumer purchasing process, many other sites remain simple “brochureware” sites with limited interactivity. Many traditional companies are in a transitional stage. Mature transactional systems include features for payment processing, order fulfillment, logistics, inventory management, and a host of other services. In most cases, a company must replicate each of its physical business processes and design several more that can be performed online only. Today’s environment includes sophisticated access to order information, shipping information, product information, and more through Web pages, touch-tone phones, Web-enabled smartphones, and tablets over wireless networks. Faced with all of these variables, the challenges to profitably implementing EC can be daunting.

A traditional brick-and-mortar store with a mature website that uses a successful click-and-mortar strategy such as those used by Target, Walmart, and Staples can create a successful multichannel business whose benefits can be enjoyed by customers who like to have options on how to buy.

SECTION 3.10 REVIEW QUESTIONS

1. Define disintermediation.
2. Describe reintermediation.
3. Describe channel conflict and other conflicts that may appear in e-tailing.
4. Explain personalization and customization opportunities in e-tailing. What are their benefits to customers?
5. What makes click-and-mortar companies successful?

MANAGERIAL ISSUES

Some managerial issues related to this chapter are as follows:

1. **What are the limitations of e-tailing? Where is e-tailing going?** In Korea, Internet retailing has become the second most important distribution channel, exceeding the national sales volume of all department stores. In many countries, B2C is the fastest growing form of retailing. The question is what will be the limits of e-tailing? The market concentration has already begun, setting a high bar for new e-tailers. However, small businesses can easily start their online channel as part of a stable e-mall service platform when they find a niche opportunity.
Because many easy sources of funding have dried up and revenue models are being scrutinized, vendor consolidation will continue until greater stability within the e-tailing sector occurs. Ultimately, there will likely be a smaller number of larger sellers with comprehensive general sites (e.g., Amazon.com) and many smaller, specialized niche sites (e.g., Net-a-Porter, Blue Nile).
2. **How should we introduce wireless shopping?** In some countries (e.g., Japan, Korea, Finland, United States), shopping from smartphones is already very popular. In other countries, mobile shopping is not popular yet, although the platform itself may be available. Alternative channels (multichannel marketing) and a culture of a variety of communication channels are developing in many countries, facilitating mobile strategies. In addition, because the younger generation prefers the mobile platform, strategies for the younger generation need to be considered. Offering mobile shopping might not be simple or appropriate to all businesses, but it certainly will be dominant in the future.
3. **Do we have ethics and privacy guidelines?** Ethical issues are extremely important online, just as they are offline. In traditional systems, people play a significant role in ensuring the ethical behavior of buyers and sellers. Will online ethics and the rules of etiquette be sufficient to guide behavior on the Internet? Only time will tell. For example, as job applicant information travels over the Internet, security and privacy become even more important. It is the management’s job to make sure that information from applicants is secure. Moreover, e-tailers need to establish guidelines for protecting the privacy of customers who visit their websites. Security and privacy must be priorities.

4. **How will intermediaries act in cyberspace?** The role of online intermediaries has become more and more important. In the banking, stock trading, job market, travel industry, and book sales sectors, the Internet has become an essential service channel. These intermediary services create new business opportunities for sellers and intermediaries.
5. **Should we try to capitalize on social networks?** Many organizations and individuals began advertising or selling products and services on Facebook and other social networks. Although large companies currently are concentrating on advertising, some are experimenting with B2C sales. Social commerce may become an extremely important marketing channel and should be at least experimented with by retailers.
6. **How should we manage multichannel marketing to avoid channel and/or price conflicts?** Managing multichannels requires a strategy on handling different types of transactions in the most appropriate and cost-effective way. Changing channels needs to be done together with appropriate conflict management.
7. **What are the major potential limitations of the growth of B2C EC?** First, the limitations depend on market demands for online products. The saturation effect may be strong. Second, the cost and availability of Internet access may influence growth. Third, cultural differences and habits may deter or slow down e-shopping. Fourth, the ease of B2C shopping is important, and fifth, the availability of payments and order fulfillment infrastructure are critical success factors.
8. **How to deal with “big data”?** A large amount of data is collected in B2C and is growing rapidly. It is necessary to extract valuable information and knowledge from this data. The technologies that are used belong mostly to the category of business intelligence (BI); they range from data and Web mining to several other analytical tools.

SUMMARY

In this chapter, you learned about the following EC issues as they relate to the chapter’s learning objectives.

1. **The scope and characteristics of e-tailing.** E-tailing, the online selling of products and services, is growing rapidly. Computers, software, and electronics are the major items sold online. Books, CDs, toys, office supplies, and other standard commodities also sell well. Even more successful are services that are sold online, such as airline tickets and travel services, stock trading, and some financial services.
2. **Classify e-tailing business models.** The major e-tailing business models can be classified by distribution channel—a manufacturer or mail-order company selling directly to consumers, pure-play (virtual) e-tailing, a click-and-mortar strategy with both online and traditional channels, and online malls that provide either referring directories or shared services. Social commerce facilitates group buying and location shopping.
3. **How online travel/tourism services operate.** Most services available through a physical travel agency also are available online. However, customers can get additional information more quickly using online resources. Customers can even submit bids to travel providers (e.g., using the C2B business model). Finally, travelers can compare prices, participate in online activities, read other travelers’ recommendations, and view user-generated videos. Lately, social travel is becoming popular, with travelers learning from each other and organizing trips accordingly.
4. **The online employment market and its benefits.** The online job market is growing rapidly. The major benefits for employers are the ability to quickly reach a large number of job seekers at a low cost, conduct remote video interviews, and even conduct preemployment qualification tests. Finally, résumés can be checked and matched against job requirements. Millions of job offers posted on the Internet help job seekers, who also can post their résumés for recruiters. Recruiting in social networks, especially LinkedIn and Facebook, is growing rapidly.
5. **The electronic real estate marketplace.** In most cases, the online real estate marketplace supports traditional operations. However, both buyers and sellers can save time and effort by using the electronic markets. Buyers can purchase properties in several locations much more easily than without the Internet, and in some situations, they have access to less expensive services (insurance, mortgages, etc.). Eventually, agents’ commissions on regular transactions are expected to decline as a result of the electronic market for real estate, as more online sales directly by owner become popular.
6. **Online trading of stocks and bonds.** One of the fastest growing online businesses is the online trading of securities. It is inexpensive, convenient, and supported by a tremendous amount of financial and advisory information. Trading is very fast and efficient, almost fully automated, and is moving toward 24/7 global trading. However, security breaches are more possible, so good security protection is essential.

7. **Cyberbanking and online personal finance.** Branch banking is on the decline due to less expensive, more convenient online banking as the world becomes more accustomed to and trusting in cyberbanking. Today, most routine banking services can be done from anywhere. Banks can reach customers in remote places, and customers can conduct transactions with banks outside their community. This makes the financial markets more efficient. Online personal finance applications, such as bill paying, monitoring of accounts, and tax preparation, also are very popular.
8. **On-demand delivery service.** On-demand delivery service is needed when items are perishable or when delivering medicine, express documents, or urgently needed supplies. One example of on-demand delivery is e-groceries; these may be ordered online and are shipped or ready for store pickup within 24 h or less.
9. **Delivery of digital products.** Anything that can be digitized can be successfully delivered online. Delivery of digital products such as music, software, e-books, movies, and other entertainments online has been a success. Some print media, such as electronic versions of magazines or electronic books, also are successful when digitized and delivered electronically.
10. **Aiding consumer purchase decisions.** Purchase decision aids include shopping portals, shopbots and comparison agents, business rating sites, recommendations (including electronic ones), trust verification sites, and other tools. Tools include real-time mobile devices and extensive support from social networks.
11. **The new face of retail competition.** The surge in B2C has resulted in pressure on traditional retailers to add online channels and reduce prices. Even large companies such as Best Buy are struggling. The online retail giants, Amazon.com and eBay, are becoming more aggressive and competitive (e.g., adding same-day delivery), so their consumers are enjoying lower prices and better service. Traditional retailers also need a strategy to deal with the intense competition. New competition is also coming from Chinese and other foreign online vendors.
12. **Disintermediation and other B2C strategic issues.** Direct electronic marketing by manufacturers results in disintermediation by removing wholesalers and retailers. However, online reintermediaries provide additional services and value, such as helping consumers select among multiple vendors. Traditional retailers may feel threatened or pressured when manufacturers decide to sell directly to customers online; such direct selling can cause channel conflict. Pricing of online and offline products and services is also an issue that frequently needs to be addressed.

KEY TERMS

Brick-and-mortar retailer
Business model
Channel conflict
Click-and-mortar retailer
Direct marketing
Disintermediation
Drop-shipping
E-grocer
Electronic (online) banking (e-banking)
Electronic retailing (e-tailing)
E-tailers
Event shopping
Internet radio
Internet TV
Location-based e-commerce (l-commerce)
Multichannel business model
On-demand delivery service
Private shopping club
Reintermediation
Shopping portals
Shopping robots (shopping agents, shopbots)
Social TV
Virtual (pure-play) e-tailers

DISCUSSION QUESTIONS

1. Discuss the importance of comparison tools, product reviews, and customer ratings in online shopping.
2. Discuss the advantages of a specialized e-tailer, such as DogToys.com (dogtoys.com). Could such a store survive in the physical world? Why or why not?
3. Use Google to find the benefits of travel-related social networking sites. Discuss five of them.
4. Discuss the benefits of salary.com. Are there any disadvantages?
5. Why are online travel services a popular Internet application? Why do so many websites provide free travel information?
6. Compare the advantages and disadvantages of online stock trading with offline trading.
7. Compare the advantages and disadvantages of distributing digitizable products electronically versus physical delivery.
8. Do you trust your personal data on social networks such as linkedin.com or facebook.com? How do you protect your privacy?
9. Many companies encourage their customers to buy products and services online, sometimes “pushing” them to do so. Why?
10. Would you use monster.com or linkedin.com for recruiting, or would you rather use a traditional agency? Why?
11. Travel social network WAYN (wayn.com) says that it is a bridge between two social sites: Facebook and TripAdvisor. Discuss.
12. Do you use your social network when you decide which products to purchase? How? Is this more valid to you than professional reviews? Why?

TOPICS FOR CLASS DISCUSSION AND DEBATES

1. Discuss the advantages of established click-and-mortar companies such as Walmart over pure-play e-tailers such as Amazon.com. What are the disadvantages of click-and-brick retailers as compared with pure-play e-tailers? Also debate: Competition between pure-play e-tailers (e.g., Amazon.com, Blue Nile) and traditional retailers such as HP, Walmart, and other department stores that have added the Web as a part of a multichannel business model. Who may win? Under what assumptions?
2. Online employment services make it easy to change jobs; therefore, turnover rates may increase. This could result in total higher costs for employers because of increased costs for recruiting and training new employees and the need to pay higher salaries and wages to attract or keep existing employees. What can companies do to minimize this problem?
3. Discuss each of the following as limiting factors on the growth of B2C EC: (a) Too much competition, (b) expensive technology, (c) people need desktop computers to shop online (but smartphones are changing this situation), (d) people need the social interaction of face-to-face shopping, (e) many people cannot afford Internet access, and (f) the fear of fraud and security breaching.
4. Debate: Some employers ask job applicants permission to log into their Facebook account during an in-person interview; others ask for complete, unfiltered access to the entire Facebook account. Some US states propose legislation (several already have passed laws) banning employers (and universities) from using a prospective employee’s Facebook content as selection criteria.
5. In April 2012, TripAdvisor announced on its website that it is the world’s largest social travel site. Some people say that WAYN is the only truly social travel network. Compare the social networking activities of both sites. Debate the issue.
6. Debate: Should online sales be an independent division in a click-and-mortar firm?
7. Debate: What is the future of Amazon.com?
8. Debate: Will omnichannel retailing destroy brick-and-mortar retailers?
9. Some love digital coupons; others say the idea is waste of time since coupons are not available for the products they want to buy. Research the topic and debate the value of digital versus paper coupons.
10. Investigate the impact of online casinos on physical ones. Discuss.

INTERNET EXERCISES

1. Many consumer portals offer advice and ratings on products or e-tailers. Identify and examine two separate general-consumer portals that look at sites, and compare prices or other purchase criteria. Try to find and compare prices for some digital cameras, microwave ovens, and MP3 players. Visit yippy.com. How can this site help with your shopping? Summarize your experience. Comment on the strong and weak points of such shopping tools.
2. Visit landsend.com, and prepare a customized order for an item of clothing. Describe the process. Do you think this will result in better-fitting clothes? Do you think this personalization feature will lead to greater sales volume for Lands' End?
3. Make your résumé accessible to millions of people. Consult asktheheadhunter.com or careerbuilder.com for help rewriting your résumé. See monster.com for ideas about planning your career. Get prepared for an online job interview, and look at monster-tronics.com for interesting capabilities. Use the Web to determine what salary you can get in the city of your choice for the kind of job you want.
4. Visit move.com, decisionaide.com, or a similar site, and compute the monthly mortgage payment on a 30-year loan at 5.5% fixed interest. Also check current interest rates. Estimate your closing costs on a \$200,000 loan. Compare the monthly payments of the fixed rate with that of an adjustable rate for the first year. Finally, compute your total payments if you take the loan for 15 years at the going rate. Compare it with a 30-year mortgage. Comment on the difference.
5. Access the Virtual Trader game at virtualtrader.co.uk, and register for the Internet stock game. You will be bankrolled with a virtual £100,000 in a trading account every month. You can play other investment games at investopedia.com/simulator or find and create a free stock market game at marketwatch.com/game. Comment on your experiences.
6. Evaluate prosper.com and leandingclub.com. Read the comparison at lendingmemo.com/lending-club-vs-prosper. Would you consider P2P lending? Why? Which service would you use?
7. Compare the price of a specific Sony digital camera at shopping.com, mysimon.com, bizrate.com, and pricegrabber.com. Which site locates the best deal? Where do you get the best information?
8. Enter vineyardvines.com. Identify all multichannels used in their retail operations. List the benefits to the company.
9. Enter bazaarvoice.com, and find how consumers can engage in a dialog. Look at its Q&A functionality in both "Conversations" and "Connections." Write a report based on your findings.
10. Enter couchsurfing.org, and examine how they connect potential travelers with hosts. Discuss the things that you like and the limitations of this service. Compare with home swapping sites such as homeexchange.com.
11. Enter zillow.com/corp/ZillowPortfolio.htm, and see Zillow's portfolio. Examine their capabilities and the benefits to consumers. Write a report.
12. How can LinkedIn and Facebook help job seekers? How can they help employers? Relate your answers to what you can find on indeed.com.
13. Compare the sites yelp.com and epinions.com.
14. Visit hayneedle.com. What kind of a mall is this?
15. Enter layar.com. Find information about Layar Creator and other products that can support B2C shopping. Write a report.
16. Enter play.google.com/store. Relate the offerings of this site to topics in this chapter.

TEAM ASSIGNMENTS AND PROJECTS

1. Assignment for the Opening Case

Read the opening case and answer the following questions:

 - (a) What are Amazon.com's critical success factors? Is its decision to offer a much broader selection of items a good marketing strategy? With the increased services and diversification, do you think the company will be able to concentrate on its core competency of enhancing the Amazon.com brand? What about their long-term vs. short-term strategy?
 - (b) Amazon.com operates Zappos (zappos.com) as a separate entity. Does this make sense? Why or why not?
 - (c) Visit amazon.com, and identify at least three specific elements of its personalization and customization features. Browse specific books on one particular subject, leave the site, and then go back and revisit the site. What do you see? Are these features likely to encourage you to purchase more books in the future from Amazon.com? Check the 1-Click feature and other shopping aids provided. List the features and discuss how they may lead to increased sales.
 - (d) Which innovative product do you feel will have the biggest impact for Amazon? Why?

- (e) Check all the personalization features on Amazon.com. List their advantages.
 - (f) Find the technology-oriented activities at Amazon.com (e.g., Echo, making e-readers). List the major ones and discuss the logic of such offerings.
 - (g) Find some recent material on Amazon.com's marketing strategy, and discuss your findings.
 - (h) Examine social networking activities on Amazon.com. What are their purposes?
 - (i) Examine Amazon Web Services. Why do you think the company offers this service?
2. Each team will investigate the services of two online car-selling sites (from the following list or other sites). When the teams have finished, they should bring their research together and discuss their findings.
 - (a) Buying new cars through an intermediary (autobytel.com/URL or carsdirect.com)
 - (b) Buying used cars autotrader.com
 - (c) Buying used cars from auto dealers (manheim.com)
 - (d) Automobile rating sites (carsdirect.com and fueleconomy.gov)
 - (e) Car-buying portals thecarportal.com and cars.com
 - (f) Buying collector cars classiccars.com and antiquecar.com
 3. Each team (or team member) will review two or three travel-oriented social networks (e.g., world66.com, virtualtourist.com, bootsnall.com, tripadvisor.com, travel.tripcase.com, Lonely Planet's Thorn Tree travel forum lonelyplanet.com/thorntree, wayn.com, and budgetglobetrotting.com). Compare their functionalities. Then read Jong (2016), and examine the various issues raised in this paper including emerging trends. Write a report.
 4. Each team will represent a broker-based area (e.g., real estate, insurance, stocks, employment). Each team will find a new development that has occurred within the assigned area over the most recent 3 months. Look for vendor announcements on these sites, and search for new happenings in each area. In addition, examine the relevant business news at bloomberg.com. After completing your research, as a team, prepare a report on disintermediation in your assigned area.
 5. Watch the video "Internet Marketing and E-Commerce with Tom Antion Part One" (9:06 min) at youtube.com/watch?v=tc1u9eqpf68 (part two at youtube.com/watch?v=7jmK0_QTguk is optional), and answer the following questions:
 - (a) What revenue sources are cited?
 - (b) What B2C revenue sources that you are aware of are not cited?
 - (c) What are the two "affiliate" models? Compare these two models.
 - (d) Why is eBay so great for selling?
 - (e) Comment on the suggestions for products/services you can sell from your home.
 - (f) What problems and limitations do you see for conducting business from your home?
 6. View some videos about future retail shopping (both offline and online). Discuss what B2C e-commerce may look like in the future, considering future shopping innovations (e.g., see Google's view on changes in retail at youtu.be/O7fSDKBddpU).
 7. Your mission is to help people find jobs online. Each team evaluates several job sites and lists their capabilities and shortcomings. (Starting list: craigslist.org, careerbuilder.com, dice.com, glassdoor.com, linkedin.com, mediabistro.com, monster.com, simplyhired.com, and tweetmyjobs.com.) In addition, check virtual job fairs such as "Monster Virtual Job Fair" (virtualjobfair.be).
 8. Watch the video "How to get a job using LinkedIn" (see youtu.be/uQ8ULVpAsvE) on how to find a job using social networking.
 - (a) Do you feel this is a valid approach? Why?
 - (b) What would you change in this approach?
 - (c) Would this work in your field or demographic area?
 9. The team(s) investigates Pandora Radio (pandora.com). Concentrate on:
 - (a) All sources of music they can stream.
 - (b) All devices that can be used to access Pandora.
 - (c) Their business model and competitiveness.
 - (d) Present your findings. Watch the video "on how to find a job using social networking."

CLOSING CASE: ETSY—A SOCIAL-ORIENTED B2C MARKETPLACE

Etsy is an online marketplace where designers across the world sell unique handcrafted jewelry, clothing, vintage items (20 years or older), art, prints and posters, handmade goods, craft supplies, and more. According to its website, Etsy has created a community of sellers, each with a virtual storefront. The sellers are usually independent designers who sell small quantities of unique handcrafted goods. Etsy can be viewed as a designer's virtual fair where creators have their own virtual store with an "about" link, so buyers can learn about the shop, read reviews, and contact the seller with any questions. Each seller may offer a link to their Facebook or Instagram page, so potential buyers can see products available to purchase. (To better understand selling on Etsy, see the following video: youtu.be/6_95qiLdVec.) This is how Etsy emphasizes its social presence. For tips on social networking success on Etsy, see blog.etsy.com/en/tags/etsy-success-social-networking.

The Company's Mission

According to etsy.com/about, the company's mission is "to re-imagine commerce in ways that build a more fulfilling and lasting world." In 2012, Etsy became a "Certified B Corporation," which is "a new kind of company that uses the power of business to solve social and environmental problems" (see blog.etsy.com/news/2012/etsy-joins-the-b-corporation-movement).

The Community

According to etsy.com/community, Etsy is more than a marketplace. It is a community of artists, creators, collectors, thinkers, and doers. Members are encouraged to share ideas, attend events (in your area), and join streaming workshops. Community members can post comments and stories. Etsy describes itself as "the marketplace we make together."

Etsy uses several social media tools and networks. For example, in April 2009, it organized an "Etsy Day" promotion on Twitter. In March 2011, the company introduced a Facebook-type social networking system called "People Search," a tool for people to search through all Etsy buyers and sellers and add people to their "Circle." This addition resulted in criticism regarding privacy and subsequently to the protection of such personal information on Etsy's site. For more details, see huffingtonpost.com/2011/03/15/etsy-privacy-debacle-site_n_836277.html. In 2016, the company launched its first international social campaign focused on the variety of expressions of individual globally. This campaign was meant to help expand the service to both international buyers and sellers (see adweek.com/news/advertising-branding/etsys-first-global-campaign-expression-individuality-just-stuff-it-sells-173404).

The Business and Revenue Models

Etsy is a for-profit private company. Although there is no membership fee, Etsy charges 20¢ for each item listed for 4 months or until that item sells. There is an additional fee of 3.5% of the sale price of that item once that item is sold, and if the seller uses the site's payment system (called Direct Checkout), there is an additional 3% fee (or more, depending on location of bank account) per transaction (see etsy.com/sell). Etsy went public in 2015 to mixed reviews (Barinka & Cao 2016). Experts speculate that the slip in stock price is a combination of initial overvaluation and lingering concerns about the company's ability to grow long term.

Competition

Many of Etsy's direct competitors are located outside the United States (e.g., German-based DaWanda, en.dawanda.com; Swiss-based Ezebee.com, ezebee.com; and Australian-based Zibbet zibbet.com). See details at en.wikipedia.org/wiki/Etsy. In the United States, many handcraft creators sell on eBay and Amazon.com. Some competing websites sell only selected items like clothing, jewelry, and art (see bonanza.com for clothing). Etsy has an official blog (see blog.etsy.com/en). It has a presence on Facebook (facebook.com/Etsy) and Twitter (twitter.com/etsy). As of mid-2016, the company has over 955,200 followers on Pinterest (see pinterest.com/etsy) where there are thousands of pins about Etsy merchandise organized on almost 70 boards.

Conclusion

In addition to the “People Search” privacy issue, the company was criticized for insufficient fraud detection efforts. For example, only original creations are allowed to be sold on Etsy, while reselling items is forbidden. Etsy is now insisting on transparency from all of its vendors and will continue to investigate all shops “flagged” for possible violations (see blog.etsy.com/news/2013/a-frank-conversation-about-resellers/?ref=about_blog_title). Despite the criticism, the company is growing rapidly. Etsy now operates in Germany, France, and Australia and plans expansion to other countries.

Sources: Based on Barinka & Cao (2016), Chow (2014), Feldmann (2014), en.wikipedia.org/wiki/Etsy, and etsy.com/blog/news (both accessed January 2017).

Questions

1. Explain why the company has been compared to a cross between Amazon.com, eBay, and a grandma’s basement.
2. Examine the mission of the company, and explain what the company is doing to attain its mission.
3. The sellers in this case are mostly small businesses. As such, Etsy is considered a B2C company. However, it can also be viewed as an enabler of P2P. Explain.
4. Compare and contrast similar transactions conducted on Etsy and on eBay.
5. Enter storenvy.com and look at their markets. Compare this site with Etsy. Write a report.
6. Investigate the connection between Pinterest and Etsy. Start with Feldmann (2014). Write a report.

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