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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.

Electronic supplementary material The online version of this chapter (doi: [10.1007/978-3-319-10091-3_3](https://doi.org/10.1007/978-3-319-10091-3_3)) contains supplementary material, which is available to authorized users

OPENING CASE: AMAZON.COM: THE KING OF E-TAILING

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. 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 centers. After 2000, the company added information technology products and services, notably the Kindle e-reader family as well as Web Services (cloud technologies). 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

In addition to its initial electronic bookstore, Amazon.com has expanded its offerings to include millions of products and services. A unique example of a service they offer is Mechanical Turk (mturk.com), a marketplace for crowdsourcing work that requires human intelligence in dozens of categories (see Chapter 8). 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, the ability to compare prices; low prices; secure payment system; efficient order fulfillment; and an easy product return arrangement.

The Amazon.com website has a number of useful services, some provided by its companies. For example, its & “Gift Finder and Wish Lists” section (amazon.com/gp/gift-finder) suggests gifts for all occasions and seasons, categorized by relationship, price, and more. Author Central (author-central.amazon.com) is a page where customers can read about authors (such as their biography and speaking events) and even connect with some of them. Authors can discuss their work and answer readers' questions via tweeting.

Amazon.com also offers support services. Amazon Services services.amazon.com hosts webstores for a small monthly fee, offering small businesses the opportunity to have customized storefronts supported by Amazon.com's payment and order-fulfillment system (see services.amazon.com/content/sell-on-amazon). Customers can use mobile devices to shop. Amazon Prime (amazon.com/prime) offers unlimited free shipment for a modest annual fee. In 2013, Amazon announced that they had been researching the idea of using drones for fast package shipment, via their Amazon Prime Air service (amazon.com/b?node=8037720011). This idea has lots of legal and regulatory obstacles. For more information see forbes.com/sites/stevebanker/2013/12/19/amazon-drones-here-is-why-it-will-work, geekwire.com/2014/drone-pilot-beat-faa-regs-says-amazon-delivery-long-way, and Chapter 12.

Amazon.com is also recognized as an online leader in providing personalized services and CRM. When a customer revisits Amazon.com, a cookie file (see Chapter 9) 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.

Amazon.com is known for its business strategy and the acquisition of its successful competitors in niche markets (e.g., kivasytems.com, zappos.com). The company also acquired supplementary companies such as alexa.com, junglee.com, and Digital Photography Review (dpreview.com). (See also crunchbase.com/organization/amazon, and Distinguin 2011.) To read about the possibility of Amazon's future acquisitions, see recode.net/2014/01/31/after-amazons-smallest-acquisition-year-since-2007-will-it-gobble-up-competitors-in-2014.

Customers can personalize their accounts and manage orders online with the patented "1-Click" ordering feature. 1-Click includes an electronic digital wallet (see Chapter 11), which enables shoppers to save time paying for their orders, since all the shopping information, including preferred method of payment and default address, is stored online.

In 1997, Amazon.com started an extensive associates program (a method of affiliate marketing; see Chapter 9). The company has millions of affiliates worldwide that refer customers to Amazon.com (see affiliate-program.amazon.com). These associates can earn up to a 15% referral fee if the referral ends with a sale. Amazon.com also is becoming a Web fulfillment contractor (services.amazon.com/content/fulfillment-by-amazon.htm), even for large competitors. Other services Amazon offers include: AmazonFresh (fresh.amazon.com; a grocery delivery service); Amazon MP3 store (amazon.com/MP3-Music-Download/b?node=163856011; music downloads, some free, others for 69¢ per song); and Prime Instant Video (amazon.com/Prime-Instant-Video/b?node=2676882011; thousands of movies and TV episodes available for purchase, rental, and streaming).

Amazon.com offers many Web 2.0 social shopping features (e.g., customer reviews). It acquired Woot! (woot.com), a social networking company known for its daily deals. Amazon is continuously adding innovative services. In 2011, the company introduced Price Check (to be described later), which enables customers to compare prices in physical stores with a smartphone app. Notable in 2012 are the same day delivery initiative, the myhabit.com clothing site (designer brands at reduced prices), and the

ability to use mobile devices while you are inside a physical store to compare prices using the Price Check app. The Amazon strategy is to provide the best customer satisfaction, make large investments in the short run at the expense of profit, and promote innovations (see businessinsider.com/amazons-profits-what-people-dont-understand-2013-10).

The Results

In 1999, *Time* magazine named Bezos "Person of the Year." 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 U.S. and global economic conditions, its annual profit for 2011 had doubled from 2007, with a 41% revenue increase in one year. Revenues continue to rise every quarter.

In 2012, *Fortune* magazine selected Bezos as the "businessperson of the year" (see fortune.com/2012/11/16/business-person-of-the-year-fortune/2.html). Annual sales increased consistently by 30–40% each year due to the addition of more products and services, going global, and the increased volume purchased by existing customers. Amazon offers about 20 million books, music, and DVD/video titles to millions of customers. In 2012, Amazon had over 1 million e-books for sale. Finally, its investors are rewarded with rapidly increasing stock prices. Data from 2014 show Amazon.com as #12 on Alexa (global rank) and #5 (U. S. rank). It has over 23 million "Likes" and over 84,000 "Talking about this" on Facebook (see facebook.com/Amazon). As of February 2014, Amazon has 1.01 million followers on Twitter (twitter.com/amazon). For the "Amazing Amazon Story – Jeff Bezos Full Speech," watch the video (17:59 minutes) at youtube.com/watch?v=YlgkfOr_GLY.

Despite increased competition from thousands of e-tailers in the online market, Amazon.com has been holding its place as the number one B2C e-tailer and money-making EC site in the world (some Chinese sites are getting closer to Amazon, but they are not competitors). Due to its order

fulfillment system, Amazon.com can offer very low prices. Add this to high customer satisfaction and the selection of quality products, one can understand why Amazon.com sells more than three times the products compared to its nearest U.S. competitor.

Amazon.com also offers several features for international customers, including over 1 million Japanese-language books. Amazon.com operates in 12 countries but it can ship its products to other countries. Each country has a website in its own language (for example, Amazon China [amazon.cn](#)). Amazon.com generated revenues of about \$75 billion in 2013, with an operating income of over \$745 million (see [digitalbookworld.com/2014/amazon-booms-in-2013-with-74-45-billion-in-revenue](#)). As of Q4 2013, the company employs over 117,000 full-time and part-time employees. Amazon.com is considered as the “king of e-tailers.” The company has been ranked by the U.S. National Retail Federation, as the #1 fastest-growing large retail organization in the U.S. with a 42.5% sales growth in 2011 (Groth and Cortez 2012). For a comprehensive slide show about Amazon.com, see Distinguin (2011). See also Stone (2013).

Sources: Based on Distinguin (2011), Brandt (2011), Stone (2013), Groth and Cortez (2012), Kain (2011), and [amazon.com](#) (accessed May 2014).

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 is increasing rapidly, despite the failure of many dot-com companies. According to Grau (2011), approximately 71% of adult U.S. Internet users shop online and 94% conduct research online about a product before purchasing the item, whether online or in a physical store. Similar figures are reported in several Western countries, as well as in Taiwan, Malaysia, Australia, and New Zealand. [Internetworldstats.com](#) estimates that there are over 2.67 billion Internet users worldwide and over 273 million in North America as of March 2014 (see [internetworldstats.com/stats.htm](#)). For “A Day in the Life of the Internet [Infographic],” see [adweek.com/socialtimes/internet-24-hours/499019](#). Forrester Research estimates that U.S. shoppers will spend \$327 million online in 2016, a 62% increase over 2012 (reported by Rueter 2012). Experts estimate the global B2C to be over 1 trillion in 2014, 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. 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). Finally, global B2C is still increasing rapidly. Therefore, one of the challenges facing e-tailers is increasing the amount of money each person spends online.

As discussed in Chapter 1, companies have many benefits from selling their goods and services online. Innovative marketing models and strategies and a better understanding of online consumer behavior (Chapter 9) are critical success factors in B2C. For statistics on EC in general and retail trade in particular, see census.gov/econ/estats.

This chapter presents an overview of Internet retailing, its diversity, prospects, and limitations. Retailing, especially when conducted in a new medium, must be supported by an understanding of consumer buying behavior, market research, and advertising, topics that will be presented in Chapter 9. Let us begin our discussion of EC products and services with an overview of electronic retailing.

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 and 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, Brazil 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.

The sites listed in Table 3.1 provide statistics on e-tailing as well as on other Internet and EC activities. Typical statistics used in describing e-tailing and consumer behavior include Internet usage by demographic (online sales by age, gender, country, etc.), online sales by item, online sales by vendor, and online purchasing patterns of customers.

Table 3.1 Representative sources of EC statistics

BizRate (bizrate.com)	InternetRetailer (internetretailer.com)
<i>Business 2.0</i> (money.cnn.com/magazines/business2/)	Nielsen Online (nielsen-online.com)
Emarketer (emarketer.com)	Shop.org (shop.org)
comScore (comscore.com)	Adobe SiteCatalyst (adobe.com/solutions/digital-analytics/sitecatalyst.html?promoid=KIVFD)
ClickZ (clickz.com)	Pew Research Internet Project (pewinternet.org)
emarket (emarket.com)	Yankee Group (yankeegroup.com)
Forrester Research (forrester.com)	U.S. Census Bureau (census.gov/econ/estats/)
Gartner (gartner.com)	

What Sells Well on the Internet

Despite the inconsistency of the data, it is clear that B2C is growing at least 15% each year. This is due both to more shoppers and to more money spent online.

With approximately 189 million shoppers online in the United States in 2013, e-tailers realized the opportunity to sell large quantities of products (see cpcstrategy.com/blog/2013/08/ecommerce-infographic for infographics and statistics on online shopping). Millions of different items are available on the Web from numerous vendors. Online File W3.1 shows the major categories of goods that are selling well online.

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 (see Case 1.1 on Net-a-Porter, p. 13). 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 and insurance policies.

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 3.2.

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; 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 3.2 Retailing versus e-tailing

Factor	Retailers	E-Tailers
Increase of sales volume	<ul style="list-style-type: none"> Expansion of locations, stores, and space 	<ul style="list-style-type: none"> Going out of their regular area and even globally to find customers
More visitors, but less revenue	<ul style="list-style-type: none"> Expand marketing efforts to turn “window shoppers” into active shoppers 	<ul style="list-style-type: none"> Expand marketing communications to turn viewers into shoppers
Use of technology	<ul style="list-style-type: none"> Automation store technologies such as POS, self-check, and information kiosks 	<ul style="list-style-type: none"> Ordering, payments, and fulfillment systems. Comparisons and customer testimonials Instant delivery of digital products
Customer relations and handling of complaints	<ul style="list-style-type: none"> Face-to-face, stable contacts More tolerance of disputes due to face-to-face contacts 	<ul style="list-style-type: none"> Anonymous contacts, less stability More responsiveness to complaints due to potential negative publicity via social media platforms (e.g., Facebook, Twitter).
Competition	<ul style="list-style-type: none"> Local competition Fewer competitors 	<ul style="list-style-type: none"> More competitors Intense due to comparisons and price reductions Global competition
Customer base	<ul style="list-style-type: none"> Local area customers Lack of anonymity High increase of customer loyalty 	<ul style="list-style-type: none"> Wide area (possibly global) customers Anonymity most of the time Easy to switch brands (less loyalty)
Supply chain cost	<ul style="list-style-type: none"> High cost, interruptions 	<ul style="list-style-type: none"> Lower cost, more efficient
Customization and personalization	<ul style="list-style-type: none"> Expensive and slow Not very popular 	<ul style="list-style-type: none"> Fast, more efficient Popular
Price changing	<ul style="list-style-type: none"> Expensive and slow, not done often 	<ul style="list-style-type: none"> Inexpensive, can be done anytime
Adaptability to market trends	<ul style="list-style-type: none"> Slow 	<ul style="list-style-type: none"> Rapid

Sources: Based on Lee and Brandyberry (2003), Kwon and Lennon (2009), Ha and Stoel (2009), and authors' experiences

Advantages of E-Tailing

E-tailing provides advantages to both sellers and buyers. The advantages of e-commerce, described in Chapter 1, also apply here.

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 (see Chapter 12).
- 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.
- Enable small companies to compete with larger companies.
- Better understand customers and interact with them.

- Sell specialized items country-wide, 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 spreadshirt.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 sells well in B2C?
3. What are the characteristics of high-volume products and services?
4. Describe the major trends in B2C.
5. Why is B2C also called e-tailing?
6. List the major characteristics of B2C.
7. 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 Figure 3.1). The seller has its own organization and must also buy materials, goods, and services from others, usually businesses (B2B in Figure 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**, as defined in Chapter 1, 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, QVC 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 web-store 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).

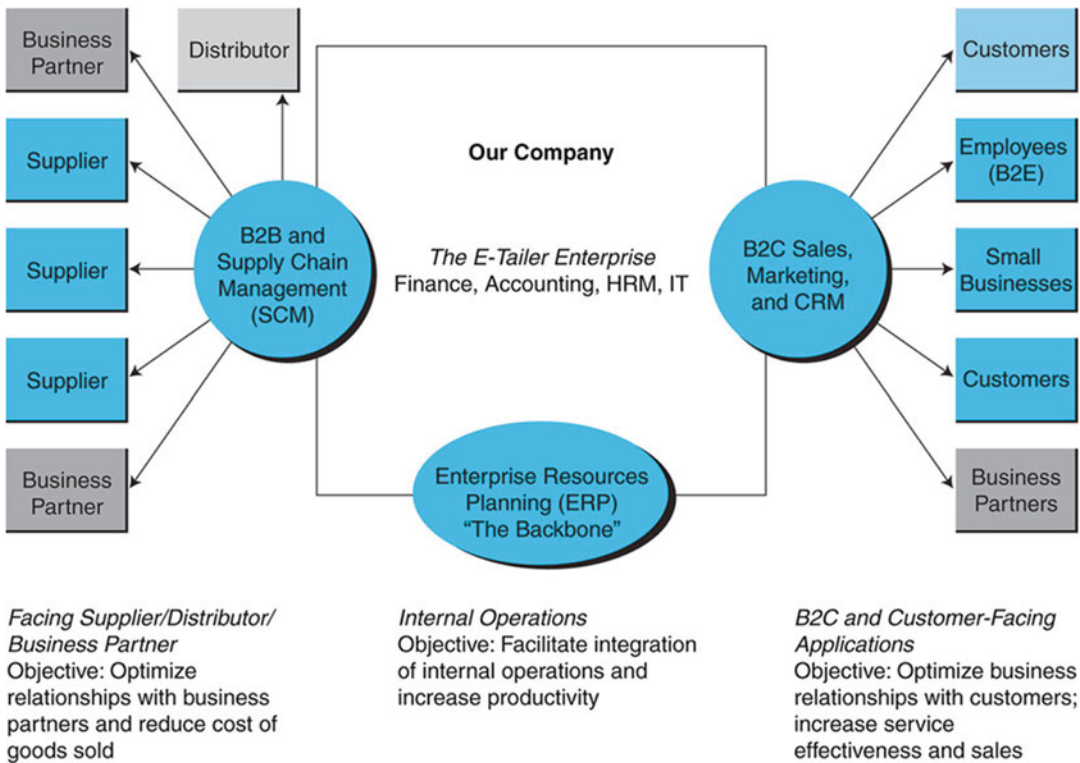


Figure 3.1 E-tailing as an enterprise EC system

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). For details, see en.wikipedia.org/wiki/Bricks_and_clicks. 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 partner store locations, such as Best Buy and Staples. Expedia.com opened physical kiosks in tourist areas, and Net-a-Porter has two physical stores. 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 discussions and an illustrative case, see Greene (2010) and Lewis (2010).

5. **Internet (online) malls.** As described in Chapter 2, 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.

6. **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). Online File W3.2 describes the process by which customers can configure and order cars online from manufacturers. 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).

Note that a general store may be composed of specialty stores. For example, hayneedle.com includes over 200 specialty stores such as furniture, seasonal gifts, yard and garden, and so forth. 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 U.S.-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. The company had over 64 million registered members in Japan in 2009. In 2010, there were about 80 million registered members and sales approached \$4 billion (statistics reported by Clearlake Capital 2010 and rakuten.com/ct/aboutus.aspx). 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 (see Online File W3.3). Blue Nile (Chapter 2) 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.

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 3.9).

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.

Lately, there is a trend to open stores on Facebook and other social network sites, in addition to selling from their own sites.

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. The stores listed in a directory either 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 virtualshoppingmall.weebly.com/affiliate-referral-sites.html).

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). Other examples of malls with shared services are firststopshops.com and bing-shop.com.

Other B2C Models and Special Retailing

Several other business models are used in B2C. They are discussed in various places throughout the book and by Wieczner and Bellstrom (2010). 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. 2015; Shih 2011; Singh and Diamond 2012). 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 and described in Chapter 7.

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 hours), 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. For details see Chapter 7.

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 (see Chapter 7 for details). 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). For details, see Wieczner and Bellstrom (2010). 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 U.S. (see Wieczner and Bellstrom 2010) and KupuVIP (kupivip.ru) in Russia.

Private shopping clubs can be organized in different ways (e.g., see beststreet.com). For details, see Chapter 7 and 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 (Chapter 6). The model was unsuccessful until social networking emerged. Today, companies such as Foursquare provide l-commerce services.

Shopping in Virtual Worlds

B2C in virtual worlds is also available. The objective is to foster user interaction with one another and the products in the virtual world, hopefully leading to purchases in the real world.

Virtual Visual Shopping

Many consumers embrace virtual shopping because they get interesting products they would never have bought without seeing them.

According to *Baseline (2007)*, one advantage of 3-D is its ability to make things online look more realistic. For example, if you want to see how a new sofa will look in your living room, all you have to do is move a virtual 3D picture of the sofa into an image of a similar living room that is illustrated in 3D. Such an experience can be extended to appliances, decorating rooms, or improving structures.

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-malls.
7. Describe flash sales (daily deals).
8. Describe B2C social shopping models.
9. Describe visual virtual shopping.

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., atlas-travelweb.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.

Example: TripAdvisor

According to comScore Media Matrix (December 2013), 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 260 million visitors a month (per Google Analytics, July 2013). 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/zh/Qunar.in.China_1.2.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 (see tnooz.com/article/travel-companies-highlight-revenue-loss-as-biggest-concern-in-online-fraud). Consumers themselves can fall prey to online travel fraud (see telegraph.co.uk/travel/travel-news/9446395/Warning-over-online-holiday-fraud.html). 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 (see the discussion later in this section and Chapter 7).

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 infohub.com and airbnb.com; a website that connects travelers and lists accommodations around the world, chat rooms and bulletin boards). In addition, some offer other innovative services, such as online travel auctions (e.g. skyauction.com). Almost all services are available both on desktop and on wireless devices. (For a list of apps for last minute travel, see France 2013.)

Special Online Travel Services

Many online travel services offer travel bargains. Consumers can go to specialty sites, such as those offering standby opportunities and last-minute bargain tickets. For example, lastminutetravel.com offers low airfares and discounted accommodation prices to fill otherwise-empty airline seats and hotel rooms. Last-minute trips also can be booked on americanexpress.com, sometimes at a steep discount. Special vacation destinations can be found at priceline.com and greatrentals.com. [Flights.com](http://flights.com) offers cheap airline tickets and Eurail passes. Travelers can access cybercaptive.com for a list of thousands of Internet cafés around the world. Similar information is available via many portals, such as Yahoo! and MSN. Search engines such as Google or Bing can also be helpful.

Example: HomeAway.com, Inc.

HomeAway, Inc. (homeaway.com) is a marketplace for the vacation rental industry. This online marketplace hosts 890 paid listings offering vacation rental homes in 190 countries (April 2014 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 price of a hotel. The site connects property managers and owners with travelers. Besides the U.S., the company has subsidiaries in several countries, such as the UK, France, and Spain. It has both short and longer stay rentals. The company also operates bedandbreakfast.com. The company has an extensive affiliate program (homeaway.com/info/affiliate-program) too. The company is very profitable and its stock price is increasing rapidly (in 2014). For details, see homeaway.com.

Also of interest are sites that offer medical advice and services for travelers. This type of information is available from the World Health Organization (who.int), governments (e.g., cdc.gov/travel), and private organizations (e.g., medicalert.org and webmd.com).

Other special services include:

- **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 hours 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 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 Knight 2012 for the use of mobile devices by travelers and travel.cnn.com/explorations/shop/50-ultimate-travel-apps-so-far-353352 for a list of 50 ultimate 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. Examples of such networks are wikitravel.org and world66.com, 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 [\[visor.com\]\(http://visor.com\). Other social networks available exclusively for travelers are Trip Wolf, Trip Hub \(a blog dedicated to group travel\), Trip Advisor, Virtual Tourist, BootsNAll, and Lonely Planet \(see discussion by O’Neill 2011\). Case 3.1 shows an example of a social network for travelers.](http://tripad-</p>
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For an HVS Sales and Marketing Services slideshow presentation on how hotels are using social commerce, see slideshare.net/VisitKissimmee/examples-of-how-hotels-are-using-social-media-a-guide-for-getting-started-4606358.

CASE 3.1: EC APPLICATION: WAYN: A LIFESTYLE AND TRAVEL SOCIAL NETWORK

WAYN (wayn.com), which stands for “Where Are You Now?” is a social network website with a goal of uniting travelers globally, allowing them to share experiences, describe problems, participate in forums, and find friends. WAYN, a UK company, has grown from 45,000 members in 2005 to over 22.4 million in 2014. Approximately 2 million members are based in the United Kingdom. WAYN is popular in most major developed countries.

The capabilities of the site are similar to that of Facebook and other major social networks. Travelers can search for contacts and visually locate them on countries’ maps. The goal is for travelers to keep their friends informed of where they are while traveling and, in turn, to be able to locate their friends (“find who is around”).

In addition, users can send SMSs to any of their contacts worldwide and chat online using WAYN’s Instant Messenger. Utilizing WAYN, users can create discussion groups, make friends, plan trips, and ask for recommendations.

As of April 2014, WAYN is available in 193 countries, becoming a global and profitable brand. WAYN is followed on Facebook and Twitter. To survive, the company sells travel deals, and provides advertising opportunities to service providers (see wayn.com/advertising). WAYN can be accessed on the go via several downloadable mobile applications (see wayn.com/mobileapps). The site also provides an

opportunity to meet like-minded people and make friends. For a comprehensive description, see tnooz.com/article/wayn-social-travel-revenue-gains (posted February 2014). To read an interview with the CEO of WAYN, see travelblather.com/2013/01/the-future-for-social-travel-websites-an-interview-with-wayn-ceo-pete-ward.html.

Sources: Based on Butcher (2008) and wayn.com (accessed May 2014).

Questions

1. Visit wayn.com. What options do you find most exciting on the site?
2. Enter wayn.com and identify all advertising options. List them and discuss three that would work best for you as a traveler.
3. Identify the mobile capabilities on the site.
4. Why has WAYN been so successful even though the site requires subscription fees for some of its services?

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. For tips on the limitations and hazards of the use of social travel, see Barish (2010).

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),

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).

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. For more on how TripConnect works, watch the video guide (2:57 minutes) on tripadvisor.com/TripConnect.

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.americanexpress.com), which "enables companies to quickly interface impacted travelers, pinpoint their locations, and review their itineraries" (see business.travel.americanexpress.com/se/files/

[2011/11/CS_URSCorp-US.pdf](#)). For details, see American Express Business Travel (2011).

For details, see the Association of Corporate Travel Executives ([acte.org](#)).

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](#)), larger companies are building career portals on their corporate websites as a way of reducing recruitment costs and expediting the time to fill vacancies. Advantages of the online job market over the traditional one are listed in Table 3.3.

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. Tens of thousands of job-related sites are active in the United States alone. Note that many sites provide free lists of available positions. For example, see [jobsearch.money.cnn.com](#). The U.S. market is dominated by several major players, especially Monster that acquired Yahoo! HotJobs in August 2010, and CareerBuilder. However, socially-oriented sites such as Craigslist, LinkedIn, Twitter, and Facebook are becoming very important online recruitment sites (see [askingsmarter-questions.com/how-to-recruit-online-finding-talent-with-facebook-twitter-study](#)).

Note: Jobs searches and finding applicants is going mobile with increasing apps and activities in this direction.

Online Job Markets on Social Networks

According to McCafferty (2012), 58% of recruiters agree that social networking is the ‘next big thing’ in recruiting. Specifically, 86% already use LinkedIn, 51% use Facebook and 27% use Google+. Facebook has many features that help

Table 3.3 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

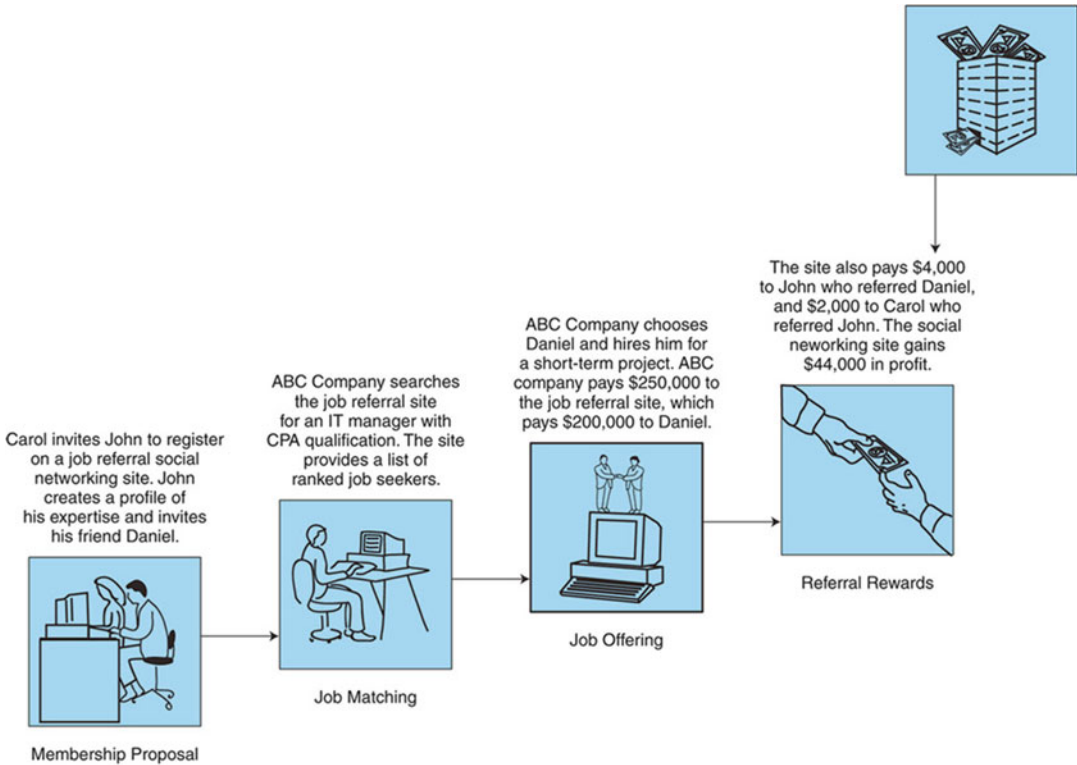


Figure 3.2 The referral power of social networks in job matching

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 1 million new job listings every month. For an overview and examples of finding jobs on Twitter, see Dickler (2009). The LinkedIn search engine can help employers find appropriate candidates quickly. For more on social networking activities in recruiting, see Chapter 8 and Masud (2012).

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 referral process is illustrated in Figure 3.2. 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. For more about recruiting online using Twitter, see askingsmarterquestions.com/how-to-recruit-online-finding-talent-with-facebook-twitter-study. TwitJobSearch (twitjobsearch.com) is a job search engine allowing employers to post job ads on Twitter. Its features include posting jobs, having the company post jobs for the recruiters, and job seekers being "tweeted" daily from major

companies and job boards. According to LinkedIn, “TwitJobSearch scours twitter; indexing tweets that are jobs, and filtering out the rest. Thus providing jobseekers with the tools necessary to find meaningful, relevant job opportunities amongst the noise” (see [linkedin.com/company/1913098/twitjobsearch-com-260783/product](https://www.linkedin.com/company/1913098/twitjobsearch-com-260783/product)). To sign up or follow TwitJobSearch, go to twitter.com/TwitJobSearch.

The following are examples of activities in social networks:

- Search for posted positions
- Track people in your field
- Learn from the experts
- Engage and communicate with people and ask for help
- Make connections
- Note: Lately, companies use gamification (Chapter 8) to help recruiters (see Meister 2012).

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.

Virtual Job Fairs

Virtual job fairs as well as recruiting via social networks are becoming popular for expeditiously finding qualified candidates at a reduced cost. Such job fairs use special 3D hosting environments in virtual worlds, social networks, or the employers’ websites. They are similar to ‘trade fairs’ (Chapter 4). These are done on virtual world sites, social networks, employers’ websites, or special vendor sites (e.g., expos2.com, brazencareerist.com).

Example

According to Weinstein (2009), KPMG, which operates in over 150 countries, is using job fairs to globally find and reach job applicants by

allowing them to study their particular global office’s opportunities and requirements in virtual booths at online fairs. Visitors can then submit a résumé online. For details, see Weinstein (2009), big4.com/news/kpmg-48-hour-virtual-world-jobs-fair-to-directly-connect-with-job-seekers, and brazenconnect.com/event/kpmg_may_2014.

Components and Hosting

Virtual job fairs are becoming popular. According to Commuiqué Conferencing, Inc. (virtualjobfairhosting.com), a virtual job fair hosting service, some virtual job fair features they offer are:

- *Main Hall*: Visitors enter the showroom and watch the video greeting. Visitors may then go to the Auditorium, Exhibit Hall, etc.
- *Exhibitor Booth*: These can be personalized for each exhibitor.
- *Lounge or Communication Center*: Contains professional networking features from message boards to forums and group chat.
- *Resource Center*: Contains demos, webcasts, and documents.

The hosting company of generic fairs also runs private fairs for major corporations such as Time Warner, Nike, and Ford.

Another company that hosts virtual communications and job fairs is ON24, Inc. (on24.com). For how IBM used ON24 to find qualified employees for their operations in Africa, read the case study at on24.com/case-studies/ibm-job-fair.

For a video titled “Virtual Job Fair Tutorial – Job Seeker” (6:02 minutes) see [youtube.com/watch?v=ZY5-NV5ExJ4](https://www.youtube.com/watch?v=ZY5-NV5ExJ4).

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 3.4. For more on the advantages of attending job fairs, see onlinemba.com/blog/how-to-attend-and-get-the-most-out-of-a-virtual-job-fair. For benefits of virtual recruiting, see smallbusiness.chron.com/advantages-virtual-recruitment-16632.html.

Table 3.4 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 , brassring.com)	Can provide greater equal opportunity for job seekers
	Opportunity of finding highly skilled employees who match the job requirements
Can search for available positions any time	Can describe positions in great detail
Can obtain several support services at no cost (e.g., careerbuilder.com and monster.com provide free career-planning services)	Can interview candidates online (e.g., using video conferencing)
Can determine appropriate salaries in the marketplace (e.g., use salary.com and rileyguid.com ; look for salary surveys)	Can arrange for testing online
Can learn how to behave in an interview (greatvoice.com)	Can view salary surveys for recruiting strategies
Can access social network groups dedicated to electronic job markets	

Sources: Based on Dixon (2000), Wanarsup and Pattamavorakun (2008), Williams (2000), and the authors' experiences

The electronic job market also has a few limitations. One major limitation is the fact that some people do not use and do not have access to the Internet, although this problem is declining substantially. One solution to the problem of limited access is the use of in-store Internet kiosks, as used by companies such as Home Depot or Macy's. Computers are also available in libraries and other public places. Mobile job search apps such as iPQ Career Planner and Pocket Resume are becoming popular.

Security and privacy are other limitations. 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.

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.

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, 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 2012, 74% of all realtors used social media tools regularly. Additional studies by the National Association of Realtors (NAR) have shown that over 36% of real estate buyers begin their searches for properties on the Internet, and 89% of all recent buyers used the Internet at some point in their home search (National Association of Realtors® 2010).

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.

Zillow, Craigslist, and Other Web 2.0 Real Estate Services

Craigslist (craigslist.org) and Zillow (zillow.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 (zillow.com/agent-advertising and vator.tv/news/2013-12-27-how-does-zillow-make-money). For additional information, see zillow.com/corp/About.htm.

Craigslist has a major classifieds 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. For more about real estate applications and services offered online, see National Association of Realtors® (realtor.com), CRE Online, Inc. (real-estate-online.com), and Auction.com (auction.com).

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. A visit to insurance.com will show a comparison of a variety of different policies. For example, customers and businesses can compare car insurance on answer-financial.com/Auto-Insurance and then purchase a policy on their site. At TFB Global Travel Insurance (globaltravelinsurance.com), customers can purchase travel insurance. Another popular insurance site is insweb.com. 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.

Example

The insurance industry has seen that 70–80% of potential insurance customers are researching and gathering information on the Internet. Thus, insurance companies are trying to capitalize on this trend. For example, by attempting to profile the online customers and understand their needs, they can match Web advertisements and offerings to the meet those needs (*eMarketer* 2011).

Purchasing insurance online may involve several issues. For example, one needs to check the laws regarding electronic signatures on documents.

For a discussion and examples of how social networks drive insurers' marketing and advertising strategies, see Chordas (2010).

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).

Several discount brokerage houses initiated extensive online stock trading, notably Charles Schwab in 1995. Full-service brokerage companies, such as Merrill Lynch, followed suit during 1998–1999. As of 2011, 96% of stock trades in the United States are executed via electronic communications networks including the Internet (Krantz 2012).

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. The flow chart of this process is shown in Figure 3.3.

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 one to two seconds. Some well-known companies that offer online trading are E*TRADE, TD Ameritrade, Scottrade, and ShareBuilder.

E*TRADE (us.etrade.com) is expanding into several countries, enabling global stock trading. In 2009, E*TRADE started allowing customers to trade online in seven different countries, taking care of payments using the appropriate currencies.

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 (see details in Chapter 11).

The SEC is working on new regulations for online trading because of the May 2010 "flash crash" of the New York Stock Exchange. For details, see the FTC and SEC report regarding the market events of May 6, 2010 (sec.gov/news/studies/2010/marketevents-report.pdf, businessinsider.com/the-flash-crash-report-is-out-heres-what-you-need-to-know-2010-10, and en.wikipedia.org/wiki/2010_Flash_Crash). For details on SEC regulations, see counselworksllc.com and sec.gov.

Online Investments

In addition to the stock market, there are many other online investment opportunities.

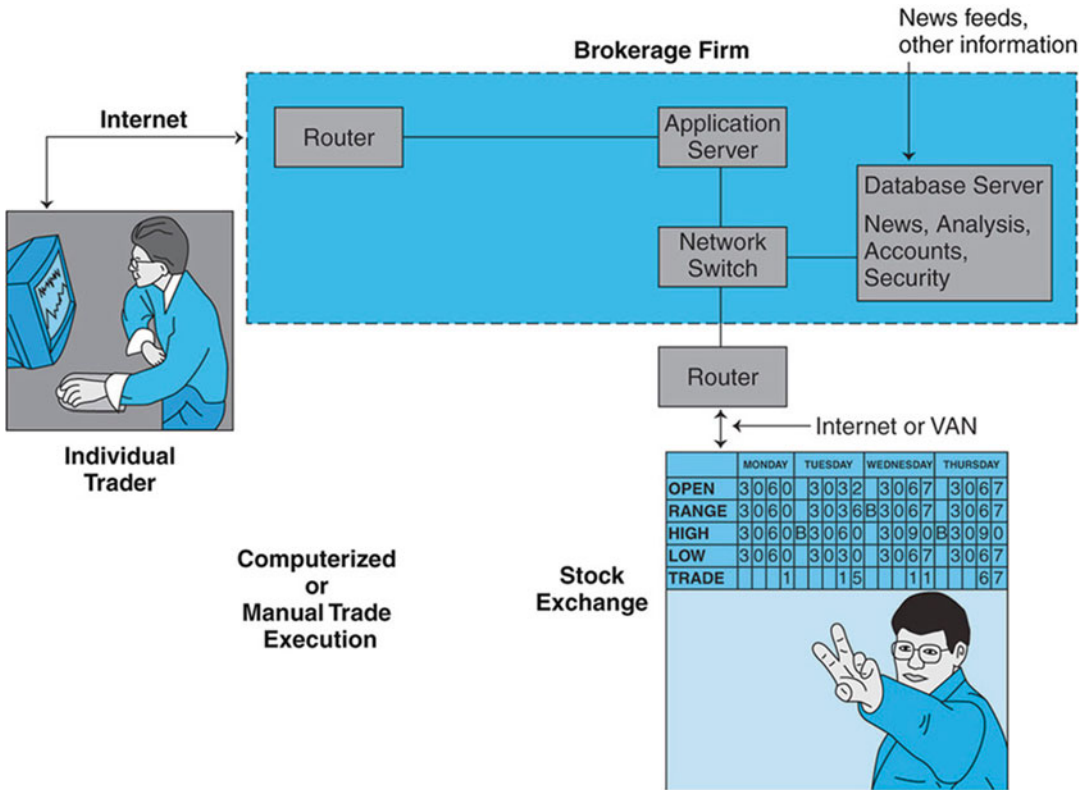


Figure 3.3 Online electronic stock trading

Example: Investments in China

Feng (2013) discusses the opportunities in what he calls e-finance in China. He provides as an example Yu'E Bao, an Alibaba company that pioneered online financial services in China with great success.

2. What are the advantages of selling insurance online?
3. What are the advantages of online stock trading?

The Risk of Online Stock Trading and Other E-Finance Activities

The major risk of online trading is security. Although all trading sites require users to have an ID and password, problems may still occur. Problems of this nature (e.g., security breaches) also can occur when conducting online banking, our next topic.

SECTION 3.5 REVIEW QUESTIONS

1. List the major online real estate applications.

3.6 ONLINE BANKING AND PERSONAL FINANCE

Electronic (online) banking (e-banking), also known as *cyberbanking*, and *virtual 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 U.S. adult Internet users bank and pay bills online (RenWeb 2011). See also thefinanser.co.uk/fsclub/2013/08/61-of-us-internet-users-bank-online.html, and for the results of a 2013 Pew

Research Center Study on online banking, see pewinternet.org/files/old-media/Files/Reports/2013/PIP_OnlineBanking.pdf. Several sites have tools that can help you with personal finance and budgeting. Examples are mint.com, geezeo.com, and kiplinger.com. In general, the e-finance field is taking off rapidly (e.g., see Joshi 2010). One area is e-banking.

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. For details, see en.wikipedia.org/wiki/Online_banking.

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.

Online banking offers several of the generic EC benefits listed in Chapter 1, both to the banks (expanding the bank's customer base and saving on administrative and operational costs) and to the customers (convenience and possibly lower fees).

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 First Internet Bank (firstib.com) and Bank of Internet USA (bankofinternet.com). For a list of online banks, see mybank-tracker.com/best-online-banks. Virtual banks exist in many other countries (e.g., bankdirect.co.nz). In some countries, virtual banks are also engaging in stock trading, and some stockbrokers offer online banking (e.g., see us.etrade.com/banking). 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 banking.about.com/od/peertopeerlending/a/peer-topeerlend.htm.

Examples

An emerging innovation in online banking is peer-to-peer (P2P) online lending. Two examples are Zopa Limited in the United Kingdom (zopa.com) and Prosper Marketplace in the United States (prosper.com), which offer P2P online lending (see en.wikipedia.org/wiki/Zopa and en.wikipedia.org/wiki/Prosper_Marketplace), respectively. 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 April 2014, Zopa's 50,000 active members had lent more than £528 million at negotiated rates to UK customers, mainly for car payments,

credit card debts, and home improvements (Zopa Press Office 2011). 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. Several cases of fraud already have occurred. For a discussion, see Nguyen (2010).

International and Multiple-Currency Banking

International banking and the ability to handle trades in multiple currencies are critical for international finance. Although some international retail purchasing can be done by providing a credit card number, other transactions may require international banking support. Examples of such cross-border support include the following:

- Bank of America (bankofamerica.com) and most other major banks offer cash management, trades and services, foreign exchange, risk management investments, merchant services, and special services for international traders.
- FX Alliance (fxall.com) is a multi-dealer foreign exchange service that enables faster and cheaper foreign exchange transactions. Special services are being established for stock market traders who need to pay for foreign stocks (e.g., at Charles Schwab, Fidelity Finance, or E*TRADE).

Online Financial Transaction Implementation Issues

As one would expect, the implementation of online banking and online stock trading can be interrelated. In many instances, one financial institution offers both services. The following are

some other implementation issues for online financial transactions.

Securing Financial Transactions

It is imperative that financial transactions for home banking and online trading are secure. In Chapter 10, we discuss the details of secure EC payment systems. In Case 3.2, we give an example of how a bank provides security and privacy to its customers. For examples, look at the *security resources* on the websites of all major banks (e.g., chase.com/resources/privacy-security).

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 (see Chapters 10 and 11). 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 logon 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 Figure 3.4.

Information is shared among a bank's 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).

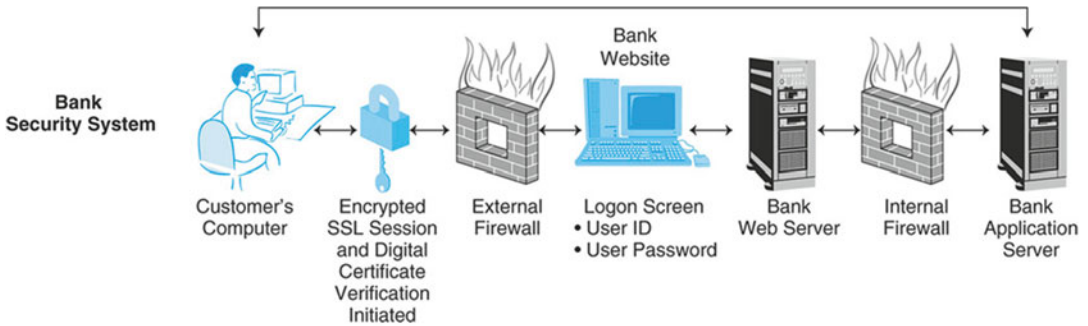


Figure 3.4 Security for online banking transactions

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.

Sources: Based on the authors’ consulting experiences and from the various security statements of online banking websites, including co-operativebank.co.uk/internetbanking and anz.com/auxiliary/help/help/website-security-privacy (both accessed May 2014). For more information on the safe use of Internet banking, see fdic.gov/bank/individual/online/safe.html.

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?

Banks can enhance security by adding more steps in the account access procedures.

Example

Some banks have multi-stage security systems. For example, 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 pre-selected. If you do not recognize the image and a pre-established phrase, you know you have not accessed the real bank. If all answers are provided satisfactorily, you provide a password to enter your account.

Imaging Systems

Many financial institutions (e.g., Bank of America, Wells Fargo, and Citibank) allow customers to view images of all of their processed checks, and other related material online.

Fees for Online Versus Fees for Offline Services

Computer-based banking services are offered free by some banks, whereas others charge \$5 to \$10 a month, which may be waived if there is a minimum balance in the account. In addition, some banks charge fees for individual transactions (e.g., fee per check, per transfer, and so on). Many banks charge more for offline services in order to encourage customers to go online.

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.

According to Nguyen (2010), online banking fraud in the United Kingdom alone exceeded \$100 million in 2009 (an increase of 15% over 2008).

Online Billing and Bill Paying

The popularity of e-payments is growing rapidly. The number of checks the U.S. 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. See Chapter 11, searchcio.techtarget.com/definition/EBPP, and investopedia.com/terms/e/electronic-billpayment-presentment.asp for more about EBPP.

This section has focused largely on B2C services that help consumers save time and payees save on processing fees. However, B2B services can save businesses about 50% of billing administrative costs as well as expediting the payment cycle.

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.

For a list of the 200 best money websites (2012) in most of the areas discussed in Sections 3.5 and 3.6, see money.msn.com/shopping-deals/the-102-best-money-websites-liz-weston. For a list of the 15 best financial sites and apps (2014), see money.cnn.com/gallery/pf/2013/12/11/best-financial-apps.

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 (presented in Chapters 6 and 11). Topics such as payments from smartphones and handling micropayments have revolutionized the financial systems (Chapter 11). The need for an improved banking and financial system is clear. E-finance in general, and mobile finance in particular, lead the change in this area. For more information see en.wikipedia.org/wiki/Mobile_banking. For an example of services available at Bank of America, including mobile banking, see promo.bankofamerica.com/mobilebanking.

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. List and briefly describe other major personal finance services available online.
6. 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 schedule 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. As of 2014, Amazon.com offers same day delivery (via their Local Express Delivery) in over

11 cities such as Baltimore, Las Vegas, and New York. (Other online e-tailers have similar services.)

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 minutes expected with on-demand delivery of pizzas, fresh flowers, or auto repair parts. E-grocers often deliver using the same-day delivery model.

The Case of E-Grocers

In the United States, online grocery sales are expected to reach \$25 billion, or 2% of total grocery sales in 2014 (Nielsen Company 2011). It is a very competitive market, and margins are very thin. Many e-grocers are click-and-mortar retailers that operate in the countries where they have physical stores, such as Woolworths Supermarkets in Australia (woolworths.com.au) and Safeway, Inc. in the United States (shop.safeway.com). AmazonFresh (fresh.amazon.com), a subsidiary of Amazon.com, is an online grocery service in Seattle and certain cities in California. Delivering fresh foods is becoming fashionable (e.g., see thefreshdiet.com).

Despite its potential advantages, retailers are cautious about the idea (see Zwiebach and Hamstra 2013). An interesting case is that of WunWun, a delivery service in New York.

Today, it is possible to shop for groceries from smartphones and tablets (e.g., iPhone, iPad). For images of e-grocers, do a Google search for ‘images e-grocery.’

One innovative company is Instacart (instacart.com), a San Francisco-based start-up that, according to its founder, will ‘buy all your groceries from your favorite stores and deliver them within an hour or two’ (see wired.com/2014/02/next-big-thing-missed-future-groceries-really-online). Instacart delivers from Whole Foods, Costco, and other local stores and is available in certain cities, including San Francisco, New York, and Boston. As of April 2014, Instacart will be available in Los Angeles (latimes.com/business/la-fi-instacart-grocery-20140403,0,3795439).

[story#axzz2xyqVNdTL](#)). For more about Instacart and its expansion, see [mercurynews.com/business/ci_24986836/startup-instacart-hopes-dominate-grocery-delivery](#).

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 travelers delivery service. In 2013, they partnered with Home Depot to deliver Christmas trees (Rodriguez 2013). See also [blog.uber.com/UberTREE](#).

The fastest delivery in the future may be by drones (see Chapter 12). 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](#)).

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 (2013) predicts that the global entertainment and media industry spending will reach \$2.2 trillion in 2017. This includes online gaming, streaming videos, and audio (streaming media refers to multimedia that is constantly presented to users in real time).

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. For information on entertainment in the Web 2.0 environment and social networks, see Chapter 8.

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. For its features, see [apple.com/itunes/features](#). 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 [wallstcheatsheet.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/b?node=2676882011 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, Blue-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. In order to compete with other channels, such as HBO (hbo.com). In 2012, Netflix began to air its own original programming (see techradar.com/us/news/internet/netflix-begins-broadcasting-first-original-series-1061339). As of February 2014, Netflix is showing 10 new and returning original series (see uproxx.com/tv/2014/02/10-original-series-coming-netflix-2014). Since Internet TV can be streamed at low or no cost, the issue of copyright is of major concern. In January 2014, the U.S. Supreme Court decided to hear the case of *ABC Television Stations vs. Aereo*. For details, see Vaughan-Nichols (2014) and abcnews.go.com/blogs/politics/2014/01/supreme-court-will-hear-tv-broadcasters-against-aereo.

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 4,000 in Europe, see listenlive.eu). The service can broadcast anything that is on the radio stations plus broadcasts from organizations, governments, and even individuals. For details, see Beller (2001) and 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 2014 is available only in the U.S., Australia, and New Zealand. Users can create up to 100 personalized stations that play pre-arranged 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 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/phoenix.zhtml?c=227956&p=irol-newsArticle&ID=1915496&highlight=).

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 WhatIsSocialTelevision.com (whatisocialtelevision.com), 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. *Social TV* was listed by *MIT Technology Review* (reported by Evangelista 2011) as one of the 10 most important emerging technologies of 2010. The editor of *Wired Magazine* named social TV as number three of six important technology trends for 2011.

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.)

Technology and Services of Social TV

Large numbers of social TV tools and platforms are emerging. According to Rountree (2011), there are three major types of social TV:

1. Using a second screen (such as a smartphone, tablet, etc.) while watching TV or using another communication device.
2. Using an on-screen experience where information is displayed directly on the TV.

3. Using a personal computer or mobile device to watch TV shows.

These options are not pure social media tools, but they facilitate social interaction revolving around TV programs.

Rountree (2011) and Media Bistro’s Lost Remote (lostremote.com/social-tv-companies) provide a list of startups in the field (e.g., Kwarter kwarter.com) and Youtoo Interactive TV (youtoo.com). Each startup and tool has a different capability for activities that are related to each specific TV program.

Vendors are interested in social TV mainly as an emerging tool for marketing communication strategies such as increasing brand awareness or conducting market research.

Example

The Pepsi Sound Off is a social TV venture, where fans of “The X-Factor” (the talent competition reality show) can meet online to chat about the contestants and the judges. Interactions occur mostly in real time.

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 the Nielsen Company (reported by Montopoli 2010), in October 2010 approximately 29% of U.S. employees visited Internet porn sites during working hours. 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.

ICANN, (the Internet Corporation of Assigned Names and Numbers, which approves Web addresses), approved the .xxx domain name. The adult entertainment industry uses the .xxx suffix (upper level), similar to .com domain names used by other companies. Supporters of this decision feel

that it will make it easier for people to filter or block unwanted adult content, as well as assist with the self-regulation of the Web pornography industry.

Internet Gaming

Internet gaming is comprised of all forms of gaming such as arcade gaming, lotteries, casino gaming, and promotional incentives. Between 2008 and 2010, online gambling revenue continued to increase despite the bad economy. The global online gambling industry grew 12% during 2010 to reach \$30 billion. According to Statistica.com (2014), the online gaming market will reach almost \$41.5 billion in 2015. 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 U.S. states. In 2013, Delaware and Nevada were the first U.S. 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 estimated about \$8 million revenue in 2013. 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 2013, at least 8 U.S. states had pending legislation that would legalize online gambling. *Source:* Based on Zernike (2013) and Fox News (2014). For a list of top online casino sites for 2014, see onlinecasino.bluebook.com.

A special case is that of poker. Companies such as PokerStars (pokerstars.net) provide online opportunities to gamblers (available now on Facebook apps.facebook.com/pokerstarsplay). Unfortunately, there were charges of fraud in 2011; however, these were settled. More interesting is the fact that according to Berzon (2012), a federal

judge in New York ruled that poker is a game of skill more than that of chance. This may help to legalize poker games both online and offline.

SECTION 3.7 REVIEW QUESTIONS

1. Describe on-demand delivery services.
2. Explain how e-grocers operate.
3. What are the difficulties in conducting an online grocery business? Describe some solutions.
4. Describe digital goods and their delivery process(es).
5. What are the benefits and limitations of digital delivery of software, music, and so forth?
6. What are the major forms of online entertainment?
7. Describe Internet TV, social TV, and Internet radio.
8. Describe Internet gambling and its challenges.

3.8 OTHER B2C SERVICES: FROM DATING SERVICES TO WEDDING PLANNING

This section describes only a few of the hundreds of types of B2C businesses.

Online Dating Services

Online dating enables people to identify potential mates and contact them, usually via the service’s e-mail or chat functions. Sites such as eharmony.com and match.com attempt to match applicants with potential partners based on participants’ profiles and answers to questionnaires. Online dating services, which have many advantages (e.g., Atik 2012 and bestdatingwebsite.org/advantages), are the third largest attractors of “for fee” Internet users (behind music and games). Spark Networks (spark.net) owns and operates more than 20 online personals sites such as JDate.com, BlackSingles.com, and ChristianMingle.com. These are known as “niche” dating sites (see spark.net/about-us/company-overview). In 2011, the online dating industry revenue was more than \$1 billion with a

projected 3% annual revenue increase through 2016 (Donnelly 2011). Despite its popularity and millions of success stories, there are risks and scams. For an overview and advice on safety, see Bernstein (2011) and health.howstuffworks.com/relationships/dating/risks-and-rewards-of-online-dating.htm. For further information, see en.wikipedia.org/wiki/Online_dating_service. According to comScore (comscore.com), in 2011, over 14 million people worldwide were using *mobile dating apps* and the time spent on mobile dating sites is rapidly increasing (reported by 1888 Press Release 2011). Online dating sites (e.g., match.com) also provide dating articles and advice, success stories, and relationship tips.

Planning a Wedding

The wedding planning business is going online also. A large number of companies are active in online wedding planning. Mywedding.com, for example, helps with collecting ideas and planning, assists in budgeting, finds vendors, creates registries and helps in honeymoon planning and travel (watch their video on the home page). WeddingWire, Inc. (weddingwire.com) connects couples with event vendors. The most comprehensive site is probably theknot.com; now part of the XO Group, Inc.

What About After the Wedding?

Theknot.com offers two additional channels:

Thenest.com

Created by The Knot, TheNest.com is a “new home for newlyweds,” to learn about what to do after the wedding, from buying furniture for the home, selecting décor, getting a pet and even relationship advice.

Thebump.com

The Bump is a site for parents-to-be that gives advice on fertility, birth, pregnancy, babies, and much more.

Buying Cars Online

For many, the idea of buying cars online seems crazy. However, today, more and more cars are being sold online; or at least some of the steps in the purchasing process are completed online. Initially, online car sales alienated dealers. However, according to Levin (2014), a change is coming. About 7,000 car dealers in the U.S. use a company called TrueCar (truecar.com) to sell their cars at anonymous reverse auctions. Nearly 3% of all car transactions are sold via reverse auctions. (2014 data). Like Edmunds.com (edmunds.com) and Kelley Blue Book Co. (kbb.com), TrueCar also provides consumer information. TrueCar earns commissions from the sellers. The company is offering new digital tools to dealers. The dealers save money on traditional advertising.

There are several ways to sell cars online. For example, GM’s tool ‘Shop-Click-Drive’ (shop-clickdrive.com), allows shoppers to buy cars online without going to dealers’ showrooms (see edmunds.com/car-news/gm-dealers-embrace-shop-click-drive-online-shopping-tool.html).

According to their website, Autobytel, Inc. (autobytel.com) is a pioneer in online car transactions (they launched their website in 1995). Autobytel helps dealers sell new (including built-to-order) and used automobiles via the Internet. The company (“Your lifetime automotive advisor”) offers car buying tips, dealer locators, car pictures, car reviews, and much more. The company offers tools like Mygarage.com (“everything you need to manage your vehicle”).

Selling-Build-to-Order Cars Online

As more people like to configure their cars, the use of online configuration has become more and more popular. Such services save time for both sellers and buyers. People configure their PC’s online (e.g., at HP, Dell), so why not do the same with cars? This way, they can compare prices as

well. Luxury car companies, such as Jaguar (jaguarusa.com), usually sell build-to-order-cars (see jaguarusa.com/build-yours/index.html). Here is where online configuration is most useful.

Example

Jaguar offers virtual shopping for cars. Jaguar buyers have been able to custom configure their dream cars online since 2005. Jaguar cars are usually built-to-order. However, customers like to see how the cars will look like before they buy them. There are hundreds of thousands of possible configurations of Jaguar cars. Initially, the system offered a view of the dream cars with all the desired options and the price. Customers were able to rotate the cars, change the configuration, simulate any desired options, and then place orders online.

As of 2013, the system became more effective, interactive, and engaging. The “Jaguar Land Rover Virtual Experience” provides exceptional customer experience. The 3D based system includes motion detecting technology, which is offered in the dealers’ showroom. Built in collaboration with IBM Interactive, a selected car is projected on a screen. Customers can browse vehicles, options and features, customize a car to their specifications, and interact with the “car of their dreams” (see asmarterplanet.com/blog/2014/01/smarter-commerce.html). According to Vizard (2013), “Motion-sensing technology enables the customer to use his or her body to control the image of the car and inspect its features, such as opening the driver’s door to examine the interior. Want to hear how the engine sounds? Just push a button.”

The highly portable system can be displayed in auto shows. The system generates volumes of data that can be mined for learning about customer preferences. Furthermore, car designers can learn how to improve their next generation design. For example, a designer can see how certain add-on options impact the overall look and feel of a car even before a prototype is built.

Other Online Services

There are hundreds of unique services available online. Here we present only a short representative list:

- **Online pharmacies are all over the Internet.** Large companies such as CVS (cvs.com) offer prescription refills online for home delivery. Buying in the USA from Canadian pharmacies can save you 50% (make sure it is a legitimate pharmacy – many are not). For details, see en.wikipedia.org/wiki/Online_pharmacy.
- **Stamps online.** There is no need to go to the post office; stamps.com provides Internet-based postage and shipping services. Stamps.com allows customers to personalize their stamps with its PhotoStamp. Companies such as Zazzle, Inc. (zazzle.com) offer similar services.
- **Online flower delivery.** Many companies, including 1800flowers.com, allow customers to order flowers and related items from online catalogs and arrange for delivery to just about anywhere in the world.
- **Online food ordering.** Customers search catalogs of local restaurants (e.g., from grubhub.com) and order food to be delivered to their homes or workplaces. Major pizza chains offer delivery services online in addition to their phone delivery service. (See en.wikipedia.org/wiki/Online_food_ordering.)
- **Virtual farmers’ marketplaces are becoming popular in many countries.** One example is the San Francisco-based online delivery service goodeggs.com (see Chea 2013). In addition to eggs, the company delivers all kinds of fresh, locally produced food to consumers, which is ideal for people who want to support the local producers and community.

SECTION 3.8 REVIEW QUESTIONS

1. What are the advantages and limitations of online dating?
2. List all the services offered by wedding planning sites (consult ‘The Knot’). Can you add some more?

3. What are the business models for selling cars online? What are the benefits to buyers? To sellers?
4. Would you use Jaguar's Land Rover virtual experience system? Why or why not?
5. Find five more online services not cited here and describe them briefly.

3.9 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 ratings 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).

Helping Communities

Social communities can be very helpful for their members, as shown in several examples in this book (e.g., see Chapter 7).

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 Search Spring 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 (see Chapter 9 for details).

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 Marsden (2011), Gratton and Gratton (2012), 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 a list of 50 product review blogs, see Sala (2012).

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.

Recommendations from Other Shoppers and Friends and Family

Prior to making a purchase, customers tend to collect information online that can help them

make a decision. Online customers can get information such as what brand to buy, from which vendor, and at what price, by using shopping aids (e.g., price comparison sites) (e.g., nextag.com), looking at sites such as Epinions (epinions.com), and researching other sources. Examining and participating in social networking forums is another way to compare prices as well as reading product and service reviews. According to Gartner, Inc. (reported by Dubey 2010; see also gartner.com/newsroom/id/1409213), the majority of online customers already rely on social networks to guide them in purchase decisions.

In marketing, a **referral economy** describes the practice of receiving recommendations from buyers (e.g., in social networks or blogs). For how to use social media to build a referral economy, see socialmediatoday.com/jkriggins/2121281/how-use-social-media-build-referral-economy.

Example: Kaboodle

Kaboodle (kaboodle.com) is a social shopping community site that allows users to find, recommend, and share product information via product lists, blogs, and so forth while communicating with friends. For details, see Chapter 7 and kaboodle.com/zm/about.

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.

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 1,300-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 types see Trust Seal in Wikipedia. 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 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, and 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. (For a list of the top 50 review blogs, see Sala 2012.) 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 abnamro.com/en) 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 (see Chapter 11).

- Similar to Craigslist, Angie's List (angieslist.com) helps its members find high quality service companies and health care 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 thefind.com. Shoppers can use the same tools to search once and compare products at every store, finding the best deals.

Must-Have Shopping Tools

Brownell (2013) lists the following must-have online tools for shoppers:

- Price Rewind (price protection)
- Free Price Alerts (last minute bargaining)
- RedLaser (bar code scanning apps)
- Honey (coupon code finder)
- Shop Advisor (price drop tracker)
- Decide (price drop predictor)
- Google Shopping and Price Grabber (price comparisons)

Other decision aids include summaries of advice and opinions provided by consumers about products and e-tailers. These aids are known as *mass reviews*. One site that provides such summaries is epinions.com, which has searchable recommendations on thousands of products. Pricewatch.com is a price-comparison engine, pricegrabber.com is a comparison shopping tool that covers millions of products, and onlineshoes.com is a review and shopping site that specializes in all types of shoes.

Layar (layar.com) offers another type of tool called the Layar Creator. The company uses a mobile augmented reality device that can activate printed pages containing information about certain products (including videos). For details about Layar Creator, see realareal.com/layar-creator-welcome-to-interactive-print.

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" (see Microsoft Passport FAQ at support.microsoft.com/kb/277759) and Chapter 11 for details). For more on shopping aids, see Strauss and Frost (2012). Shopping aids are now expanding to social networking sites as shown in the following example.

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 (for example, to “talk” with someone from Los Angeles, see yelp.com/talk/la). For details, see yelp.com/faq and Chapter 7.

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).

Barcode Readers for Price Comparisons

It is now common behavior for e-commerce shoppers to gather information in physical stores and then buy online. Capitalizing on this behavior to make the search faster and easier, Amazon.com and other vendors provide smartphone apps of mobile bar scanners. Shoppers enter physical stores and take a picture of a bar code. The photo is transmitted to the vendor who provides them with an immediate price comparison. Leading apps are RedLaser (redlaser.com) from eBay (which is also used to support location-based ads, see Chapter 7), and Price Check from Amazon.com (see Kain 2011), and Quick Scan.

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) offers a similar nationwide service in the U.S.

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.

Virtual Visual Shopping

Many consumers embrace impulse buying when they see interesting or new products in physical stores. Theoretically, online shoppers in 3-D environments might also make such purchases.

One aspect of 3D is its ability to put items into a more physical view than 2D does. A 3D view of a house interior could help in visualizing whether a large dining table would fit in the intended space. Consumers can experiment with the location of the virtual table and see how it will fit into their home before they buy it. 3-D platforms could take the guesswork out of buying many types of products online, ranging from furniture to clothes.

Example

Can you imagine looking at a computer screen where you can see yourself wearing a piece of clothing you have selected, exactly as you can in the fitting room of a physical clothing store? Now wave your hand and the color of the outfit changes; wave your hand again and a dress will be shorter or longer. Another wave of your hand and another dress is on your “virtual body.” A dream? Not really, it is coming! To learn about this “try-on” system, see Facecake Marketing Technology’s “Swivel” facecake.com/swivel. For an illustration, watch the video titled “Tobi Virtual Dressing Room” (1:14 minutes) at dailymotion.com/video/xcg18d_tobi-virtual-dressing-room_tech.

For more information, see workspaces.codeproject.com/nayan-zawar/virtual-3d-shopping-mall and virtwayworld.com/EN_products_3d_virtual_shop.php.

Mobile Apps

Several mobile apps (Chapter 6) are available to assist shoppers who use smartphones or tablets both online and offline. For example, customers can shop and pay from their mobile devices. Most of the decision aids listed in this section are available today on mobile devices.

Wireless Shopping Comparisons

Users of mysimon.com, slickdeals.net, and other comparison sites can use mobile devices to access shopping comparisons and receive deal alerts. With the AT&T Code Scanner, shoppers can scan barcodes from their smartphone and compare prices anytime from anywhere, including from any physical store, newspaper ads, and even when the ads are online. Comparisons can be accessed from smartphones. For more about the Code Scanner and the downloading process, see wireless.att.com/businesscenter/solutions/mobile-marketing/products/index.jsp. For a slideshow of the 10 best shopping apps for comparing prices (2012 data), see pcmag.com/slideshow/story/290959/the-10-best-shopping-apps-to-compare-prices.

Note: Descriptions of social media-based shopping aids are provided in Chapter 7.

SECTION 3.9 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.
7. What is virtual visual shopping?

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

The introduction of B2C intensified the competition in the retail market. As we illustrated in the Blue Nile case in Chapter 2, 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, Radio Shack, Sears, Staples, and Office Depot still are forced to close numerous physical stores and are struggling to survive (e.g., see 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 (see Chapter 12 and the opening case to this chapter). 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 U.S. 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). In 2013, eBay launched a local delivery service called eBay Now (ebay.com/now). According to ebay.com/now/faq.html, they offer the delivery of “thousands of local products from hundreds of local retailers...usually in 1–2 hours!” This service is only available in select cities, including the San Francisco Bay area, New York, and Dallas. eBay plans to expand same-day delivery service to 25 cities in 2014 (see cnet.com/news/eBay-to-expand-same-day-delivery-to-25-cities-in-2014). For how eBay Now works, see ebay.com/now/faq.html.

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. This topic is discussed in Chapter 15.
- **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 3.11).
- **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 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 Motorola Solutions 2013, 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 2010, 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 U.S. 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. In Chapter 2, we introduced Blue Nile as 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 O'Connor 2013). *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.

Examples of Click-and-Brick Retailers

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

Gap Inc.

The Gap (gap.com), a global clothing and accessories retailer, opened an independent online unit (Gap Inc. Direct). According to their website, Gap Inc. Direct is the e-commerce division of Gap, Inc. (known as "Growth Innovation Detail" or "GID") which "operates as a small business unit creating and managing the websites and fulfillment systems for some of the most powerful retail brands in the world. GID commerce brands include gap.com, oldnavy.com, bananarepublic.com, athleta.com, and piperlime.com in the U.S., as well as e-commerce sites in Canada, Europe and Japan" (see gap.com/browse/info.do?cid=80004). The company allows customers to order items online from different Gap Stores (Gap, Banana Republic, and Old Navy) and pay, all in a single transaction, Customers can also order online and pick up their purchases in its physical stores. Sales in Gap's online store are growing 15% per year. Gap's strategy is a mix of online and offline. For example, Athleta (athleta.gap.com) used to be a pure direct marketer. But in 2011, Gap started to build physical Athleta stores, and in 2012, Piperlime, which used to be online-only, opened a store in New York. Gap's online sales spiked 21% in FY 2013; more than 80% of the store's overall sales came from the Web (see internetretailer.com/2014/02/27/online-sales-spike-215-gap-fiscal-2013). Overall, e-commerce revenue at GAP reached over \$2 billion in 2013.

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 one year. Thus, the company decided to close 50 of its stores, and also is moving to smaller stores to cut expenses. The future of Best Buy, which was one of the most successful electronic retailers just a few years ago, is improving but still uncertain as of April 2014. Because of customers engaging in "showrooming," in early 2013, Best Buy decided to price match not only all local retail competitors but also 19 "major online competitors." The price matching initiative was temporary during the 2012 holiday season, but due to its popularity, Best Buy decided to make it permanent (see businessinsider.com/best-buy-new-price-matching-policy-2013-2).

SM Chain of Malls in the Philippines

According to Magdirila (2014), this huge chain (over 230 malls and supermarkets across the Philippines) is preparing for full-scale online operations by 2016.

HHGregg

Appliance and electronics retailer HHGregg (hhgregg.com) also suffers from its online competitors. Sales and profits are declining. Besides major appliances, HHGregg also sells big screen TV's, computers, and home furniture. However, nowadays, people buy these products at lower prices on Amazon (or other e-tailers), and the products are delivered free of charge to the purchasers' homes. HHGregg is increasing its marketing and advertising efforts, but is still losing market share (see blogs.marketwatch.com/behindthefront/2014/01/06/hhgregg-sees-sales-plummet-in-first-holiday-season-report-card).

Eventually, it may go out of business. As a marketing strategy, in 2013, HHGregg looked to expanding its major appliances and furniture assortment for higher sales and profits (twice.com/article-type/news/hhgregg-looks-furniture-appliances-profits/107090).

Niche Markets

A popular strategy for competing in the online retail environment is to go to a niche market, which targets consumers in smaller markets (e.g., one product, one industry). The logic is that it is difficult for large e-tailers to identify specialized consumer needs for many products; therefore, they usually address niche markets inadequately.

Examples: CatToys (cattoys.com) and DogToys (dogtoys.com)

These webstores have a huge variety of specialized cat and dog-related items that a physical store cannot afford to carry. If you are pet lover, try it – your pet may like it.

Example: Ivy's Garden (ivysgardenfood.com)

This company sells gluten-free, home-style Asian food dishes. For the story of this company see Quick (2013).

Example: Zulily (zulily.com)

This company focuses on merchandise from specialized vendors, using a flash sale strategy. The company is very successful and debuted on the NASDAQ stock exchange in November 2013. The company's focus is on high-quality apparel for moms, babies, and children.

Other Strategies

According to VOA News (2013), many retailers are providing apps that help shoppers locate 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 Krupnik (2013).

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. We discuss this issue in Chapter 13. Small businesses such as dogtoys.com and hothothot.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. Hothothot.com) have many global customers. Big companies, like Amazon.com are also very active globally. For example, according to Brohan (2012), Amazon.com is Europe's largest online retailer. 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 30% in FY 2012 (internetretailer.com/2012/05/25/ralph-lauren-sees-more-global-e-commerce-coming-soon). A similar global expansion was done by Baccarat, a large French manufacturer of jewelry, crystal, and stemware products. For details on how Baccarat is growing its online sales, see Enright (2012). For more on companies going global, see Chapter 13.

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 3.10 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 SMEs to survive and succeed.
4. Why do e-tailers go global? What are their CSFs?

3.11 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. These and others are discussed by Laseter et al. (2007).

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 Figure 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 U.S. travel agencies went out of business between 1997 and 2007 due to online competition. For a vivid case of such disintermediation, see the Blue Nile case in Chapter 2. For bypassing intermediaries see Miller and Clifford (2013).

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 Figure 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. For an interesting discussion, see Ingwersen and Saphir (2011).

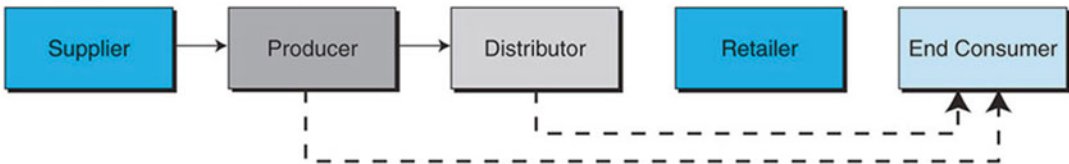
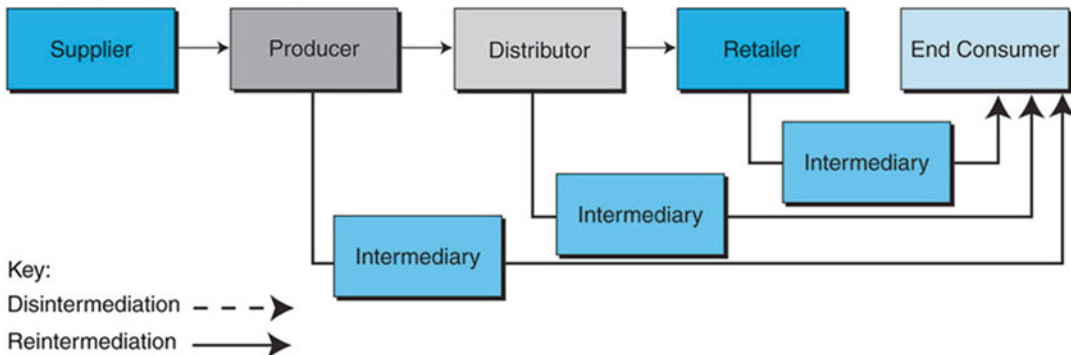
a Simple Traditional Supply Chain**b Supply Chain, with Examples of Disintermediation****c Supply Chain, with Examples of Reintermediation**

Figure 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. (For a discussion about a practice known as *multichannel* marketing, see Kline 2010.) 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. For details on how to manage multichannel situations, see Kline (2010).

Possibility of a Price Conflict and Determining the Right Price by Sellers

Pricing a product or service on the Internet, especially by a click-and-mortar company, is

complicated. One reason is that prices need to be competitive both on the Internet and in the physical stores. Today's comparison engines show consumers the prices of the same goods or services at many stores, for almost all commodity (or standard) products. In such a case, the click-and-brick e-tailer may be forced to offer online prices, which are lower than what the company charges in its physical store (e.g., some airlines direct you online to find special low price flights). On the other hand, prices are determined by the corporate policy on profitability and, in a click-and-brick company, in line with the offline channel's pricing strategy. To avoid such internal price conflicts, some companies have created independent online subsidiaries, some even with different names. For example, allstate.com created the online site ensurance.com.

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). As indicated earlier, many companies offer customized products on their websites (e.g., see the Dell case in Online File W1.1).

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 multi-channeling retailing, see dmsretail.com/etailing.htm.

Fraud and Other Illegal Activities

A major problem in B2C is the increasing rate of online fraud. This can cause losses both to buyers and sellers. For a more detailed and thorough discussion of online fraud and how to minimize it, see Chapter 10.

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

As in the physical world, companies can also fail when doing business online. Online File W3.4 provides some samples of failed B2C companies. Some lessons learned from failures are discussed next.

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 multi-channel business whose benefits can be enjoyed by customers who like to have options on how to buy.

SECTION 3.11 REVIEW QUESTIONS

1. Define disintermediation.
2. Describe reintermediation.
3. Describe channel conflict and other conflicts that may appear in e-tailing.
4. Describe price determination in e-tailing. Under what circumstances might there be a conflict?
5. Explain personalization and customization opportunities in e-tailing. What are their benefits to customers?
6. 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, USA), 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 is 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 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 (see Chapter 7). 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 (see Kline 2010 for approaches).

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 slowdown 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. An example of an analytical tool is WebSphere Commerce from IBM (ibm.com/software/products/en/web-sphere-commerce). For details on BI, see cio.com/article/40296/Business_Intelligence_Definition_and_Solutions and Online Tutorial T3.

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 pre-employment 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 hours 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 entertainment online has been a success. Some print media, such as electronic versions of magazines or electronic books (see Chapter 5), 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
 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
 Referral economy
 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.

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 (e.g., see O’Connell 2009). 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, (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 U.S. 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. Discuss the benefits and limitations of recruiting with the help of social games.
9. Read Berzon’s 2012 article and find more information about online poker. Then debate: Is poker a game of skill or it is just gambling?
10. 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.
11. 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 monstertronics.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 virtual-trader.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. 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?
 7. Enter vineyardvines.com. Identify all multichannels used in their retail operations. List the benefits to the company. Consult Greene (2010).
 8. 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.
 9. 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.
 10. Enter zillow.com/corp/ZillowPortfolio.htm and see Zillow's portfolio. Examine their capabilities and the benefits to consumers. Write a report.
 11. How can LinkedIn and Facebook help job seekers? How can they help employers? Relate your answers to what you can find on indeed.com.
 12. Compare the sites yelp.com and epinions.com.
 13. Visit hayneedle.com. What kind of a mall is this?
 14. Enter layar.com. Find information about Layar Creator and other products that can support B2C shopping. Write a report.
 15. 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) With what type(s) of companies does Amazon.com have alliances? Why?
- (e) Check all the personalization features on Amazon.com. List their advantages.
- (f) Find the technology-oriented activities at Amazon.com (e.g., Mechanical Turk; 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?
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 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 fuelconomy.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 Carey et.al. (2012) and examine the various issues raised in this paper including the surfing strategy. 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 three 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. Plan a "geek style" wedding entirely online. First, make a chart of the process. Do not forget the groom's proposal, buying the rings, getting music, etc. Finally, explore the use of a self-managed DJ. You want to save money and use guest-generated content (consider using Facebook and Twitter for your wedding plans). You can start by looking at weddings 'going geek' at itworld.com/offbeat/68244/wedding-20-when-weddings-go-geek, getting 100 geeky wedding ideas at trendhunter.com/slideshow/geeky-wedding, and by googling 'geek wedding.'
6. Watch the video "Internet Marketing and E-Commerce with Tom Antion Part One" (9:06 minutes) 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?
7. 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 Microsoft's future vision on retailing and several videos offered by Metro AG in Europe on future shopping).

8. 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).
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.
10. E-commerce, including B2C, is growing very rapidly in China. Investigate the major Chinese B2C sites, starting with tmall.com, taobaofocus.com, and aliexpress.com. Present your findings.

CLOSING CASE: ETSY – A SOCIAL-ORIENTED B2C MARKETPLACE

Etsy is online marketplace where designers across the world sell unique hand-crafted 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. 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 (e.g., see Cheng 2011), 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.

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 four 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. Etsy declared that the company is profitable and intends to go public.

Competition

Many of Etsy's direct competitors are located outside the U.S. (e.g., German-based DaWanda; en.dawanda.com, Swiss-based Ezebee.com; ezebee.com). See details at en.wikipedia.org/wiki/Etsy. In the U.S., many handcraft creators sell on eBay and Amazon.com. Some competing websites sell only selected items (e.g., clothes, jewelry). 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 early 2014, the company has over 409,000 followers on Pinterest (see pinterest.com/etsy) where there are thousands of pins about Etsy merchandise organized on almost 100 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 Cheng (2011), Chow (2014), Feldmann (2014), Walker (2007), en.wikipedia.org/wiki/Etsy, and etsy.com/blog/news (both accessed April 2014).

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.

ONLINE FILES

available at affordable-ecommerce-textbook.com/turban

W3.1 What Sells Well on the Internet?

W3.2 Applications Case: Selling Cars Online – Build-to-Order

W3.3 Application Case: CatToys.com – A Specialty E-Tailer

W3.4 Lessons Learned from E-Tailing Failures

COMPREHENSIVE EDUCATIONAL WEBSITES

investopedia.com: Resources for investment education (tutorials, videos, white papers).

techrepublic.com/resource-library: White papers, Webcasts, and other resources on B2C e-commerce.

marketresearch.com/Technology-Media-c1599/E-Commerce-IT-Outsourcing-c88/B2C-c622/: B2C market research reports on e-commerce.

managementhelp.org/computers/e-commerce.htm: A basic guide to e-commerce.

bitpipe.com/data/tlist?b=ka_bp_ecommerce: A comprehensive site for information on most topics in this chapter.

wikinvest.com: An investment portfolio manager.

internetretailing.net: A very comprehensive site about Europe's multichannel retailers.

employmentguide.com: An easy search tool for finding jobs.

linkedin.com/company/onlinemarketing-group: An online marketing group at LinkedIn that focuses on digital marketing covering a number of specialties in the field.

dmsretail.com: Information, resources, articles, tips, and advice about retail management

GLOSSARY

Brick-and-mortar retailer A retailer that conducts business exclusively in the physical world.

Business model A description of how an organization intends to generate revenue through its business operations.

Channel conflict Refers to the case in which online sales damage the wellbeing of existing channel partner.

Click-and-mortar retailer A combination of both the traditional retailer and an online store.

Direct marketing Describes marketing that takes place without physical stores. Selling takes place directly from manufacturer to customer.

Disintermediation The removal of an intermediary that is responsible for certain activities (usually in a supply chain) between trading partners.

E-grocer A grocer that takes orders online and provides deliveries on a daily or other regular schedule or within a very short period of time, sometimes within an hour.

E-tailers Sellers who conduct retail business online.

Electronic (online) banking or e-banking
Conducting banking activities online.

Electronic retailing (e-tailing) Retailing conducted over the Internet.

Event shopping A B2C model in which sales are designed to meet the needs of special events (e.g., a wedding, black Friday).

Internet TV The delivery of TV content via the Internet by video streaming technologies.

Internet Radio Audio content transmitted live via the Internet.

Location-based commerce (l-commerce) A wireless-based technology used by vendors to send advertisements relevant to the location

where customers are at a given time by using GPS.

Multichannel business model The model or strategy of selling both online and offline.

On-demand delivery service An express delivery option.

Private shopping club Enables members to shop at discount, frequently for short periods of time (just few days).

Referral economy Describes the practice of receiving recommendations from buyers (e.g., in social networks or blogs).

Reintermediation The new intermediation that provides valuable help services.

Shopping portals Gateways to webstores and e-malls.

Shopping robots (shopping agents or shopbots) Search engines that look for the lowest prices or for other search criteria.

Social TV 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.

Virtual (pure-play) e-tailers Companies with direct online sales that do not need physical stores.

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