



## **Chapter XIII**

# **E-Retailing: New Opportunities in Internet Commerce**

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*Internet commerce has brought forward a new spectrum of business practice. It radically changes the way we do business. These changes have been fairly impulsive and inevitable. Limitations caused by traditional commercial practices, such as barriers to reach the whole target market due to geographical distance, and high transaction costs due to engagement costs for attorney, agent and broker involvement, are no longer major issues as businesses become adept at identifying mechanisms to create and deliver value. In view of this new trend, a critical question to be answered is, what is the implication of Internet commerce on the conventional way of conducting business? Has Internet commerce changed the retailing market by eliminating the intermediaries out of the transaction chain? Or, has it defined new roles for the retail industries and intermediaries? This chapter attempts to reveal the impact of Internet commerce to discover new opportunities and identify challenges, in particular, for the intermediaries. It presents a physical and virtual model of business environment and highlights the business areas which would have been affected the most by the introduction of on-line services. The discussion in this chapter is aimed to enable the reader to evaluate the trends, the gains and the losses resulting from Internet commerce in today's competitive business environment.*

## **THE EMERGING TRENDS OF INTERNET COMMERCE**

Over the course of four years since 1996, the number of worldwide Internet users has grown from three to 50 million, and by the year 2000, it is expected to reach 100 million (PriceWaterhouseCoopers, 1999). Internet and its inherent possibility to be exploited as a

commercial means ought to be taken into consideration very seriously by business organizations. Indeed, most companies plan to engage the Internet technology in their businesses, although their approaches and levels of implementations vary in degrees. Some companies only embrace e-commerce in business-to-business activities, bypassing all paper-based transactions. Others which concern with business-to-customer Internet commerce dealings establish their presence on the Internet – by having a simple corporate homepage to inform the prospective customers about the business, or by having a Web store, which includes e-mail and purchase order forms for the customers to interact with the customer services or product sales departments.

Thus, it can be expected that the number of transactions made on the Internet would increase rapidly, especially with the evolvement of various enabling technologies to support Internet commerce. Moreover, the infrastructure of the information superhighway enables the trading of a group of commodities readily, for instance in transactions that only involve exchanging documents or data and transferring knowledge. Despite the potential growth in the use of the Internet as a powerful information-trading place, Internet commerce has also becoming very popular for the other type of commodity: the physical goods. The fact is that we do not live out of knowledge and information alone, and therefore, it is not surprising that the Internet would be exploited as the trading place for physical goods.

Consequently, a primary element in the value chain which makes Internet commerce feasible is the logistics support. In fact, restructuring of logistics supports to deliver the product to the customers is a field of opportunity upon realizing the e-commerce significance. Imagine the number of cars parked at the parking lot of a giant bookstore; now, that is roughly the number of deliveries which ought to be done if the customers of the bookstore choose to do their shopping from home. Thus, when dealing with physical goods, the critical constraint in any commercial system is the delivery of the product to the buyer. Companies must realize that their e-commerce strategy should not only be focused on utilizing the Internet merely to accept orders, but they must aim to ensure product availability and meeting schedule of delivery accurately. This is a challenge to those companies. But, it also has created new opportunities for delivery firms to cater for better inventory management, routing and delivery services; likewise, the suppliers are also demanded to have more flexible production systems, robust inventory management and prompt delivery services to the retailers.

It is both interesting and useful to appraise the forthcoming challenges brought by Internet commerce, in particular, for the retail industry and others in their roles as intermediaries.

## SCOPE OF THE DISCUSSION

### Internet Commerce – The Definition

It is necessary to distinguish the terms e-commerce, e-business and Internet commerce at the very start of the discussion. This is in order to set a thinking framework in the mind of the reader.

There is a range of definitions for e-commerce relative to its perspective, may it be communications, business process, service or in the context of on-line business (Kalakota, 1997). Kalakota (1996) defined e-commerce as “the buying and selling of information,

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