E-retailing trust and challenges ahead

Mairaj Salim; Hassan Ahmad Shah
King Abdul Aziz University, Jeddah, Saudi Arabia

Abstract

Online trust is one of the main determinants of the success of e-retailers and much research has dealt with website features triggering consumer trust to them. Having a successful e-commerce website can be a major boon for the business owner. To begin with, an online website reduces the costs inherent in running a "brick-and-mortar" operation, including rent, licensing fees, insurance and employee salaries. Likewise, an online store is conveniently open 24 hours a day, 7 days a week, and 365 days a year, enabling business transactions to occur no matter what time of day. Finally, an e-commerce website has the advantage of proximity; customers can be from any part of the globe yet have immediate access to its virtual storefront. While the benefits of having an e-commerce website are numerous, there are some challenges as well. Effective e-mail marketing, site optimization, content generation, template creation and shopping cart installation all require a significant investment of professional resources. If the e-commerce merchant wishes to generate traffic via social media campaigns and article marketing, these efforts require the hiring of personnel who are knowledgeable in such tactical approaches to gaining customer interest and trust. Challenges such as these can limit the effectiveness of an e-commerce website; however, knowing what they are is the first step to also addressing them as opportunities for improvement.

E-Retail Definition

The business of e-retail has been defined as the sale of goods and services via Internet or other electronic channels, for personal or household use by consumers. This definition includes all e-commerce activities that result in transaction with end consumers (rather than business customers), i.e. B2C rather than B2B. Some e-marketing activities that do not directly involve transactions, such as providing (free) information or promoting brands and image, are considered to be a part of B2C but are not normally considered as being within the scope of e-retail. E-retailing presents a new way to shop. The store is open 24 hours a day with a few clicks......

E-Retailing Introduction

Internet Retailing or e-retailing as is usually referred to as covers retailing using a variety of different technologies or media. It may be broadly be a combination of two elements.

- Combining new technologies with elements of traditional stores and direct mail models
- Using new technologies to replace elements of store or direct mail retail.

Internet retail also has some elements in common with direct mail retailing. For example, e-mail messages can replace mail messages and the telephone, that are used in the direct mail model as means of providing information, communication and transactions while on-line catalogues can replace printed catalogues. As with direct mail businesses, critical success factors include:

- Use of customer databases
- Easy ordering
- Quick Delivery

Operational elements that the Internet retail model shares with both the retail store and direct mail models include:

- Billing of customers
- Relationships with suppliers

There are, therefore, many elements that Internet retail and more traditional retail models have in common. Indeed many of the most successful Internet retailers have been those that have been able to successfully transfer critical elements from traditional retailing to the Internet, such as customer service and product displays.

Providing a Unified Shopping Experience: Social commerce integrates social media into e-retail sites and adds e-commerce functionality to social networks. We often see one of these two happening, but not very often both. For instance Levi's has integrated Facebook into the Friend's Store but doesn't have a Facebook store, (referred to as F-store), while JCPenney has a fully functionable F-store, but hasn't integrated Facebook connect on its e-shop. E-retailers have also been experimenting with alternative platforms to market and sell their products, like Tumblr and YouTube. Taking into account that multichannel shoppers spend 82% more in each transaction than those who only shop in store, retailers face the challenge of achieving the same feel in each one of these facets of the customer's experience, by using single logins (not having to login and out every time they change a shopping channel), providing great customer service, fast checkout and customized payment pages.

The (E-) Retail Mix: Sale the 7 Cs

- Convenience for the customer – similar to "Place" from the 4Ps
  - ➢ "Many customers prefer multiple-channel approach."
  - ➢ Virtual location allows retailer to find websites at ease.
  - ➢ Convenience is a key – navigation, links, etc.
- Customer value and benefits – "Product"
  - ➢ Customer satisfaction + quality service
  - ➢ Product information and specifications for customers to see
  - ➢ Make use of ways to offer products to customers in a compelling manner
  - ➢ "What the customer wants, get it."
- Cost to the customer – "Price"
  - ➢ Realization – what real costs are?
  - ➢ Customer's thinking – prices are cheaper online than in-store
  - Communication and customer relationships – "Promotion"
  - ➢ Telecommunications – e-mail, Internet, etc.
  - ➢ Advertisements never fails to get customers attention
  - ➢ Web atmospherics – the new approach?
  - ➢ Enhancements – CRM and data mining to adapt customer's individual demands
- Computing and category management issues
  - ➢ Knowing what the customer really wants
  - ➢ Establishing JIT or Just in Time

> ➢ "Cooperation between suppliers and (e-)retailers aiming to improve the efficiency of satisfying customers."
- Customer franchise
  - ➢ Long-term investment: image, trust and branding
  - ➢ Web security
- Customer care and services
  - ➢ Addressing concerns of the customers
- User experience – more interactive and community-driven

E-Retail Channel Comparison

	Bricks-and-Mortar Retail	Catalog Retail	e-Retail
Location and presence	-Physical buildings branded and easily identified and found Most traditional and oldest location for retail Commands attention in the retail landscape	Print materials "Portable store" Sent to targeted mailing lists	Location is the Web address, available globally through any Internet connection Can establish a presence through partnerships and cross-promotions (links between sites)
How merchandising is accomplished	Use of store space and "fixturing" Signage and other product information tools	Page layouts Organization of catalog Relationship between product and text	Web page layout Relationship between product and text Signage and other product information tools Category, search, and sorting mechanisms Interactive product locators
Options for promotional activity	Pricing strategies and campaigns can be implemented on a daily basis	Pricing strategies and campaigns can be implemented only as frequently as new catalogs are distributed	Pricing strategies and campaigns can be implemented "instantaneously," depending on internal organizational constraints
Options for inventory	Product must be available at multiple store locations to maximize purchasing opportunities (with the exception of products intended for special order)	Product is held at warehouse until ordered and shipped to customer	Multiple inventory ownership options, with most prominent being traditional, "just-in-time," and a hybrid of the two

Psychological determinants for consumer trust in e-retailing
- Personality-based factors;
- Perception-based factors;
- Experience-based factors;
- Knowledge-based factors; and

- Attitude.

The above-mentioned categories are split up into several factors. Figure 1 represents a graphical representation of the hypothesized effects.
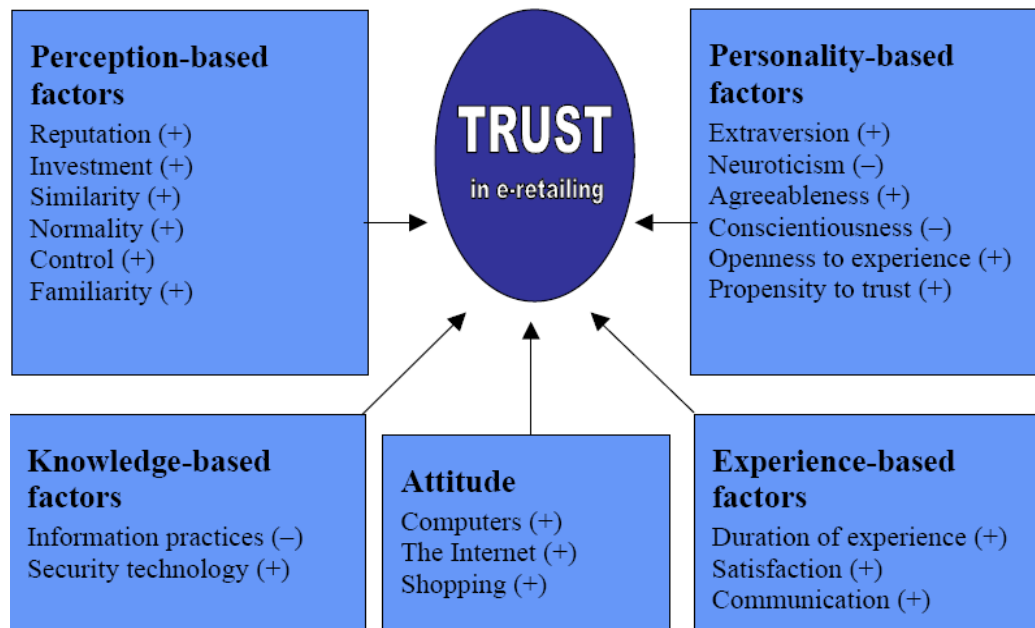
Perception-based factors
Reputation (+)
Investment (+)
Similarity (+)
Normality (+)
Control (+)
Familiarity (+)

TRUST in e-retailing

Personality-based factors
Extraversion (+)
Neuroticism (−)
Agreeableness (+)
Conscientiousness (−)
Openness to experience (+)
Propensity to trust (+)

Knowledge-based factors
Information practices (−)
Security technology (+)

Attitude
Computers (+)
The Internet (+)
Shopping (+)

Experience-based factors
Duration of experience (+)
Satisfaction (+)
Communication (+)

Figure 1: Hypothesized psychological factors that influence consumer trust in e-retailing

E-Retailing Advantages
- Retailers can obtain furnishing value to consumers by giving a product or product-line that attract potential consumers at a competitive price, as in non-electronic commerce.
- Retailers have the opportunity to provide the best services just like face-to-face retailer and may achieve these goals.
- Customers can be provided with websites that have graphical, colorful and attractive properties with photographs and images.
- Give your customers the advantages of incentives and sales promotions on-line including coupons, special offers and discounts.
- Now retailers can personally attend each and every of their customers with personalized websites, buying suggestions and personalized special offers.
- With the help of chat rooms, discussion boards, retailers can give an atmosphere of intimacy with consumers by inter-relationship.
- A complete and all-inclusive vision of customer relationship.
- Going to the bottom of customers' experience by constant contact with customers; this experience will become synonymous with the brand.
- With the help of re-engineering and technologies, retailers can organize business procedures. Providing the customers self-serve sites without any help and thus enabling them to help themselves.
- E-retailers should give their customers' abundant relative data and good search resources to describe customers' job.

E-Retailing Disadvantages
- Despite having these key components for success in On-line Retailing, some difficulties can be occurred. Let us now consider minuses of this great business style:

- With on-line retailing, retailers cannot be familiar with consumer psychology. If manufacturers and retailers fall short of understanding behavior, expectations and motivations of customers, a product with a good value plan can fail.
- Online retailing does not provide the opportunity to consider the competitive situation.
- This system has also the disadvantage of unpredictability, i.e. retailers do not know what competitors plan to do next; if the competitors will launch competitive websites, if they will try to damage competitor's site, if they launch themselves into price wars.
- During the resource planning and employee training, issues like ability or inability of staff, hardware, software and processes to handle the proposed strategy and failure of e-retailers to develop employee and management skills can be taken place.
- If present reporting and control associations do not satisfy, one can move to a flat, dependable and supple organizational formation, which may or may not assist co-ordination.
- Higher management fails to impart 100% dedication and that causes a failure to take enough corporate capital to execute a task.
- If the strategy is not discussed with employees by planners, or the employees are not given the entire scenario, then training and setting up incentives for workers to accept the strategy may assist.
- Since establishing an e-commerce business consumes much time and money, failure to recognize the timing and ordering of tasks can cause considerable cost exceeds.
- After the extraordinary early planning, if the accomplishment is inferior and inadequate pursuing of growth against a plan can create difficulties.

The Four Challenges of E- Retailing

Every on-line fulfillment operation, large or small, faces four main challenges:

- **Controlling customer data:** As outsourcing arrangements proliferate and delivery services become more expert in using information technology, retailers risk losing their lock on consumer data. This knowledge, ranging from the socioeconomic status of customers to their buying patterns and preferences, helps intermediaries and shippers reduce costs, but they can also use it to compete with retailers.
- **Integrating on and off line orders:** From an operations perspective, the easiest route for companies with a foot in both the real and the virtual worlds might be to enter electronic orders manually into the off-line order management system. This option makes most sense when the volume of on-line orders is higher; companies must decide how much integration they need. In a totally integrated system, Internet orders would be automatically transmitted through a processing center and transferred to the shipper manifest. Savings up to 30 percent are possible if the cost of long-distance telephone calls, data entry, timeserver operations, and error correction is reduced or eliminated and the cycle time between order and delivery is cut significantly. An integrated system with full ERP (enterprise resource planning) capabilities, for e g, can ensure that surges in demand key fulfillment operations such as data entry, inventory, and packing.
- **Delivering the goods cost-effectively:** At present, every single transaction challenges e-tailors to deliver the goods quickly, cheaply and conveniently. The existing model for home delivery works well for letters and flat packages but not for e-tailing high volumes and wide variety of package shapes and sizes. But this is largely a technical and logistical problem, and it will be possible (though perhaps expensive) to solve it

by developing new sorting and scanning equipment and by deploying larger delivery vehicles.

- **Handling returns:** The problem of returns is encapsulated in an old saying in the book business gone today, here tomorrow. Nordstrom, Bloomingdale, L.L. Bear, and other companies have built their sterling reputations partly on the ease with which customers can return defective or unwanted merchandise and the graciousness with which it is received. E-commerce retailers, with their emphasis on convenience and customization, must match this standard of service. At present, they do not.

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