E-DISTRIBUTION

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Agenda

- Overview
- Place and Internet
- eDistribution and product
- Intermediary Models
- Online Retailing
- Multichannel Environment
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Distribution Channel Overview

- A distribution channel is a group of interdependent firms that transfer product and information from the supplier to the consumer.
  - Producers
  - Intermediaries
  - Buyers
- The structure of the channel can make or impede opportunities for marketing on the internet.
Distribution Channel

Producer

Wholesalers

Retailer

Consumer
Communication and Information Technologies affect every aspect of business, every aspect of marketing and every aspect of the marketing mix.

Dave Chaffey and Paul Smith (EMarketing Excellence)
Online Channel Intermediaries

- Wholesalers buy products from the manufacturer and resell them to retailers.
- Retailers buy products from manufacturers or wholesalers.
- Brokers facilitate transactions between buyers and sellers.
- Agents may represent either the buyer or seller.
  - Manufacturers’ agents represent the seller.
  - Purchasing agents represent the buyer.
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Different possibilities: selling direct from the web site, from a marketplace or from middleman webs.

new situations:

- Disintermediation. Remove middleman (it can create conflict)
- Reintermediation. New types of middleman.
- Infomediation. Middleman hold data or information to benefit customers and suppliers.
- Affiliation. Communication-distribution instrument.
- P2P
Disintermediation and Reintermediation

(a) Traditional Supply Chain

(b) Disintermediation in Direct Marketing (eliminate all intermediaries)

(c) Disintermediation of the Retailer

(d) Reintermediation

Legend:
- Hard Goods Flow
- Information Flow
- Disintermediated Function
- Electronic Intermediation on the Internet
Infomediary Model

- An infomediary aggregates and distributes information.
- Market research firms are examples of infomediaries.
- Some infomediaries compensate consumers for sharing demographic and psychographic information and receiving ads targeted to their interests.
- Companies using an infomediary model also might provide unbiased information to consumers about different businesses on the Internet. (www.priceSCAN.com)
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eDistribution and product

DIGITALIZABLE PRODUCTS
Text, graphics, audio, video.
Ej. newspapers, reviews, radio, music, software.
CAN BE DISTRIBUTED BY INTERNET

OTHERWISE:
- RECORD
- PACK
- SEND

→ COST
Physic merchandise disappear

- Music, videos, etc...
  - Downloading, content streaming
- Books, newspapers
  - E-Books
- Tickets
  - easyjet, ATM, etc...
- Software
  - Software as a service
  - ASP (application service provider)
eDistribution and product

NO DIGITALIZABLE PRODUCTS
(wine, flowers, etc.)

- Buy online and delivery by transport.
- When a channel is required (contact with product or middleman services):
  - Information about sales points of product.
  - Improve middleman coordination. (promotions)
  - Get information on Internet and buy offline.
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Intermediary Models

- Three intermediary models are in common use on the internet:
  - Brokerage models
  - Agent models for sellers and buyers
  - Online retailing models
The Broker creates a market in which buyers and sellers negotiate and complete transactions. E*Trade, Schwab and Ameritrade allow customers to place trades online.

The B2B market has also spawned brokerages. Global wine and Spirits

Online auctions are available in the B2B, B2C, and C2C markets. eBay, uBid
Online Electronic Stock Trading

Diagram showing the flow of information from the Individual Trader to the Brokerage Firm, including the Internet, Router, Application Server, Network Switch, Database Server, and Internet or VAN. The diagram also includes a table with stock exchange data for Monday through Thursday.
Brokerage Models

- The Broker creates a market in which buyers and sellers negotiate and complete transactions.
  - E*Trade, Schwab and Ameritrade allow customers to place trades online.
- The B2B market has also spawned brokerages.
  - Global wine and Spirits
  - eBay, uBid
Agent Models

- May represent sellers or buyers.
- Agent models that represent **sellers** include:
  - Affiliate programs (Amazon Associates)
  - Manufacturer’s agents (Travel Agents)
  - Other (Virtual malls, The Knot)
- Agents that represent **buyers** include:
  - Shopping agents
    - BizRate.com
  - Reverse auctions
    - Priceline
  - Buyer Cooperatives (buyer aggregator) pool many buyers together to drive down the price.
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Online Retailing

- Online retailing is one of the most visible e-business models.
  - Online merchants set up storefronts online that can sell a greater assortment of products than offline.
  - Shopping cart abandonment during the purchasing process is one of online retailing’s biggest problems.
- The manufacturer sells directly to the customer in the direct distribution model.
eRetailing seller advantages

- Localization are not important.
- Company size are less important.
- Savings in salaries and licences.
- Great audience.
- Achieve people with high purchasing power.
- Open 24/7.
eRetailing seller disadvantages

- Lack of know-how and technology.
- Investments and costs of start up.
- Difficulty to sell products selected by taste or smell.
- Logistics and fulfillment more complex.
- Lower impulse purchase.
- Pressure on margins and prices.
- Difficulty in postpurchase service.
eRetailing buyer advantages

- **Total cost of purchase**
  - Price.
  - Purchase travel (time, park, cost).
- **Offer range**
  - Product Information.
  - Easy comparison (prices, features) BotShop
- **Convenience**
  - 24/7
  - Lack of salesmen pressure.
  - Time to gather information.
  - Entertaining purchase.
  - Speed.
  - No need to carry products.
  - Products difficult to find or sold out.
  - Useful to give long-distance gifts.
  - Personalization.
Internet Marketing and Electronic Retailing

What Sells Well on the Internet?

- Computer hardware and software
- Consumer electronics
- Office supplies
- Sporting goods
- Books and music
- Toys
- Health and beauty
- Apparel and clothing
- Jewelry
- Cars
- Services
- Others
E-Retailing Business Models

Classification by Distribution Channel

1. Mail-order retailers that go online
2. Direct marketing from manufacturers
3. Pure-play e-tailers
4. Click-and-mortar retailers
5. Internet (online) malls
direct marketing

Broadly, marketing that takes place without intermediaries between manufacturers and buyers; marketing done online between any seller and buyer.
E-Retailing Business Models

- Direct Sales by Manufacturers
  - Sellers can understand their markets better because of the direct connection to consumers
  - Consumers gain greater information about the products through their direct connection to the manufacturers
E-Retailing Business Models

**virtual (pure-play) e-tailers**
Firms that sell directly to consumers over the Internet without maintaining a physical sales channel

**brick-and-mortar retailers**
Retailers who do business in the non-Internet, physical world in traditional brick-and-mortar stores
E-Retailing Business Models

**click-and-mortar retailers**
Brick-and-mortar retailers that offer a transactional Web site from which to conduct business

**multichannel business model**
A business model where a company sells in multiple marketing channels simultaneously (e.g., both physical and online stores)
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Multichannel Environment

<table>
<thead>
<tr>
<th>Task</th>
<th>Prepurchase</th>
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<th>Postpurchase</th>
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</tr>
<tr>
<td>Virtual</td>
<td>A1</td>
<td>B1</td>
<td>C1</td>
</tr>
</tbody>
</table>

Synergies customer

- Gather information on-line and reserve an item on-line pay for and pick up the product in the physical outlet.

- Inspecting a product in a store and then order them electronically, especially interesting for products that need physical experience.

- Actively cross-promote between channels. Promotions from the web to the store. (traffic to the store), Promotions from the store to the web. (traffic to the web site)

- Returns of goods purchased on-line to physical shops.

- Make offers to some targets that in the shop are not profitable.
Synergies company

- Lower costs.
- Improved Trust.
- Differentiation Through Value-Added Services.
- Geographic and Product Market Extension.
- In-store staff can carry out web site maintenance.
E-Retailing Business Models

- Retailing in Online Malls
  - Referring Directories
  - Malls with Shared Services

- Representative B2C Services
  - Postal Services
  - Services and Products for Adults
  - Wedding Channels
  - Gift Registries