Examination Of E-Commerce Essay, Research Paper

EXAMINATION OF E-COMMERCE AND THE RETAIL CLOTHING INDUSTRY AT THE UNIVERSITY OF

Introduction

When people think of retail and technology, they often think of images of shopping at a click-of-a mouse. An e-commerce solution for a retail clothing business is the incorporation of all aspects of the business operation into an electronic format. Before the Internet, companies could use three channels to sell clothing: 1) person-to-person – through stores; 2) written – through mail order catalogs; and 3) telephone using toll-free numbers. The Internet combines and expands these different channels. There is no doubt that the Internet has revolutionized the way people purchase products, especially clothing. The old method in today s marketplace to purchase clothing is to go to the traditional brick-and-mortar business; however, many well-known businesses are starting to establish their presence on the Web while maintaining surface stores such as JC Penney. Consumers spend about $3 trillion a year in retail, and more and more of that bounty is going toward on-line purchases. In fact experts predict that e-commerce will skyrocket from its current $6 billion mark to nearly $3 trillion by 2005 (Kitts, 2001). It is no surprise that traditional stores are re-evaluating how they do business, and technology is playing a big part in this retail industry revolution. Technology is as important to retail as it is to any industry.

Purpose of the Study

The purpose of the study was to review the purchase of retail clothing products via e-commerce to determine the profitability of retail clothing stores with the aid of the Internet. Retail clothing stores should implement an e-commerce solution with its surface stores. Important factors that we took into consideration regarding the benefits of an e-commerce solution were: improved efficiency, expanding market exposure, customer-service orientation and providing up-to-date information.

Methods and Procedures

Secondary research was conducted through the Internet for articles and web sites regarding e-commerce and the retail industry. This medium proved to be very helpful because e-commerce is still a fairly new technology, and the Internet will provide the most recent data available. Printed publications will not be able to adapt to changes as fast and efficient as electronic publications.

We distributed a questionnaire to 100 students at the University of (see Appendix A for sample questionnaire). This segment of the Houston population was selected to survey because the students were readily available, gave instant feedback, majority are CIS majors, and because they are indicators of how the internet/technology will be progressing. We were very pleased with the response time because of the time it saved us and the possible costs of mailing these questionnaires. The questionnaire format was chosen as the best survey technique because it provided us with concrete answers which could then be easily transferred to quantitative data, it was efficient and specific, and it allowed us to direct our questions according to the purpose of the report.

Establishing New Frontiers of Efficiency

In addition to changing the way retail stores get and keep customers, these companies are using the Internet to reduce costs out of their service and supply processes. Jane Lindner states:

Business customers are shifting purchasing, logistics, and overall supply management to the Internet to shorten supply chains. With better information about schedules and inventory throughout their supply system, companies expect to be able to tune manufacturing levels, postpone final configuration decisions, cut handling points out of distribution networks, and eliminate unnecessary transportation and warehousing costs. Firms that exploit the Web to manage their supply chains boats finished goods inventory turns of 20 or more four times their industry average (1999).

When a retail clothing business has incorporated an e-commerce solution, the business will experience a lower operation cost while at the same time increasing its profit. The e-commerce solution will allow businesses to eliminate unnecessary paperwork. All paperwork and data can be transformed into an electronic format. Thus it will eliminate valuable shelf space and data can be searched and accessed in matter of seconds. E-commerce will also automate the sales process. Customers can point and click on the clothing they wish to purchase, fill out the customer information, and the product will be shipped and received in a matter of few days (unless a back-order exists). The administration department does not have to fill out any paperwork because the customer has done it already. Thus, the efficiency will be greatly improved. As Kitts stated, Efficiency is the retail industry s bread and butter, so technology becomes even more important as the country s labor drought continues (2001).

Expanding Market Exposure

With an e-commerce solution, the retail store that traditionally closes at 9:00 p.m. will be open 24 hours a day, 7 days a week. People from anywhere in the world with an internet access will be able to visit the site at any given time and go shopping . A traditional surface store is normally limited to serving its customers in its local geographic region; however, an e-commerce solution will open the retail clothing business to an on-line global market. Essentially, retail-clothing businesses will greatly increase their market exposure. In the case of JC Penney, it is the largest national traditional surface store using the combination of catalog operation and the Internet for the sale of its products. JCPenney.com has generated $79 million in sales via the Web through June 2000. In an interview conducted by Elizabeth Blakey with Paul Pappajohn, President, JC Penney E-Commerce, he stated, Nielsen//Net Ratings ranked JCPenney.com as the number one apparel and home site and a top ten site overall, based on monthly unique visitors .JCPenney.com s success is attributable to the overall company s strong retail presence and catalog business (2001). Millions of people worldwide have access to the Web, and JC Penney along with thousands of other retail clothing companies cannot overlook this global community of shoppers. The idea of market exposure can be compared to the clich of it s not what you know, it s who you know, and with an e-commerce solution, these businesses are able to know a wide range of customers throughout the world.

Shifting Focus Towards Service

It is imperative that retail-clothing companies focus their energies on improving the customer experience on the web site. Customers have very high expectations online, just as they do on-land, and their loyalty is very conditional. We believe that success will depend on having a brand that enables them to meet and exceed customer expectations and improve the customer relationship (Saliba 2001). Since customers are able to shop at anytime 24 hours a day, 7 days a week, this enables the customer to buy the products at their leisure and convenience rather than being rushed out the door of a surface store at closing time. In addition, having an e-commerce solution for the company will allow a section for Frequently Asked Questions for the customers. This section is specifically directed to help customers, and if their answers are not found, they can always call or e-mail and receive a response shortly. An e-commerce solution also allows instant feedback from customers about suggestions and/or complaints. This feature allows customers to voice their opinions and suggestions at anytime without having to talk with a phone operator who just might not seem interested in providing help.

Providing Up-To-Date Information

Not only does an e-commerce solution allow customers to buy clothing on-line, but it also makes them aware of all the current trends and fashions and also the availability of the clothing such as color, style, size and back-order information. Not only does the customer benefit from this information, but also the businesses because they are able to market new clothing lines and determine the consumer reaction to certain apparel. All this information is readily available at an instant for both users. At JCPenney.com, it continues to enhance its merchandise assortment to offer customers the latest apparel at reasonable prices according to Paul Pappajohn (Blakey 2001). An e-commerce solution also allows retail clothing stores to advertise sales and discount rooms. Making all this business information available is one of the most important ways that the stores can attract and keep their customers. Going on-line also allows the release of time-sensitive information and to change information quickly. Providing up-to-date information is a mutual benefit for both the customer and the retailer.

Survey of Students Concerning E-Commerce and Retail

Of the 100 students who participated in the questionnaire survey, 69 percent of the students have used the Internet to make purchases. These respondents provided information regarding who is making the purchases on-line, what kind of purchases are being made, how often purchases are being made on-line and preferences of on-line shopping versus the traditional stores. Not only did the students who use e-commerce for purchases provide helpful information, but also the students who did not use the Internet for purchases gave us insight as to why not.

Who Is Making On-Line Purchases

Of the 69 students who said they have used the Internet to make purchases, 64% of them were female. This is consistent with the trend that more and more females are using the Internet and this trend is still increasing. In addition, the majority of the Internet purchasers (73%) rated themselves a 7 on a scale of 1 through 10, when asked about their general computer skills. When determining the age range of the Internet purchasers, the majority of the purchasers were between 26 and 35 years of age, as shown in Figure 1.

Figure 1

Age Range of Internet Purchasers

These results are significant because it aids the businesses as to who is the target audience.

What Is Being Purchased

How Often Are Purchases Being Made

Preference of On-Line and Traditional Shopping

Non-Internet Purchasers

Summary, Conclusions, and Recommendations

Summary

Conclusions

Recommendations

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