

Electronic Commerce

Lecture 9

IT392

Online Retail and Services

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Chapter 9

- The service sector is one of the most natural avenues for e-commerce because so much of the value in services is based on collecting, storing, and exchanging information—something for which the Internet and the Web are ideally suited.
- The quality and amount of online information that can support consumer decisions in finance, travel, and career placement are extraordinary, especially when compared to what was available to consumers before e-commerce.
- The online service sector—like online retail—has established a significant beachhead and now plays a large role in consumer time spent on the Internet. In areas such as brokerage, banking, and travel, online services are an extraordinary success story and have transformed these industries.

Chapter 9

- Similarly, online retailers possess a number of advantages compared to traditional offline retailers, as well as some challenges.
- An online retailer can radically simplify the existing industry supply chain and develop an entirely new online distribution system that is far more efficient than traditional retail outlets. At the same time, an online retailer can create a better value proposition for the customer, improving customer service and satisfaction in the process. On the other hand, online companies often have razor-thin profit margins, lack a physical store network to bolster sales to the non-Internet audience.

Chapter 9

- In contrast, large traditional, offline retailers such as Walmart, have established brand names, a huge real estate investment, a loyal customer base, and extraordinarily efficient inventory control and fulfillment systems.
- We will also see that, in order to leverage their assets and core competencies, established offline retailers have had to cultivate new competencies and a carefully developed business plan to succeed online.

Chapter 9

- This chapter begins with a section teaching you how to analyze the viability of an online firm
- Sections 9.2 and 9.3 examine the retail sector, both offline and online, and the major online retail business models in depth.
- In Sections 9.4 through 9.6, we take a close look at three of the most significant types of online services: financial services (including insurance and real estate), travel services, and career services.

Chapter 9

- In Section 9.7, we examine on-demand services companies, such as Uber, Airbnb, and a host of others, that have rocketed to prominence in the last several years.
- Using a business model that is both local and mobile, these companies provide a platform for consumers to connect with providers who can provide on-demand services, such as transportation, short-term room rental, grocery shopping, restaurant food delivery, and more.

Learning Objectives

- Explain how to analyze the economic viability of an online firm.
- Understand the environment in which the online retail sector operates today.
- Identify the primary types of online retailers and understand the different challenges each type faces.
- Describe the major features of the offline and online service sectors.
- Discuss the trends taking place in the online financial services industry today.
- Describe the major trends in the online travel services industry today.
- Identify the current trends in the online job recruitment and career services industry.
- Understand the business models of on-demand service companies.

Chapter 9: Online Retail and Services

Analyzing the Viability of Online Firms

Strategic Analysis

Financial Analysis

The Retail Sector

Online Retailing

E-commerce in Action: Online Retail
Business Models

Virtual Merchants

Amazon

Omnichannel Merchants:

Manufacturer-Direct

Online Financial Services

Fintech

Online Banking

Online Brokerage

Online Mortgage and Lending Service

Online Insurance Services

Online Real Estate Services

Online Travel Services

Why Are Online Travel Services So Popular?

The Online Travel Market

Online Job Recruitment and Career Services

On-Demand Service Companies

Analyzing the Viability of Online Firms

Strategic Analysis

The key industry strategic factors are:

- **Barriers to entry:** Can new entrants be barred from entering the industry through high capital costs or intellectual property barriers (such as patents and copyrights)?
- **Power of suppliers:** Can suppliers dictate high prices to the industry, or can vendors choose from among many suppliers? Have firms achieved sufficient scale to bargain effectively for lower prices from suppliers?
- **Power of customers:** Can customers choose from many competing suppliers and hence challenge high prices and high margins?



Analyzing the Viability of Online Firms

Strategic Analysis

The key industry strategic factors are:

- **Existence of substitute products:** Can the functionality of the product or service be obtained from alternative channels or competing products in different industries? Are substitute products and services likely to emerge in the near future?
- **Industry value chain:** Is the chain of production and distribution in the industry changing in ways that benefit or harm the firm?
- **Nature of intra-industry competition:** Is the basis of competition within the industry based on differentiated products and services, price, scope of offerings, or focus of offerings? How is the nature of competition changing? Will these changes benefit the firm?



Analyzing the Viability of Online Firms

Strategic Analysis

The strategic factors that pertain specifically to the firm and its related businesses include:

- **Firm value chain:** Has the firm adopted business processes and methods of operation that allow it to achieve the most efficient operations in its industry? Will changes in technology force the firm to realign its business processes?
- **Core competencies:** Does the firm have unique competencies and skills that cannot be easily duplicated by other firms? Will changes in technology invalidate the firm's competencies or strengthen them?

Analyzing the Viability of Online Firms

Strategic Analysis

The strategic factors that pertain specifically to the firm and its related businesses include:

- **Synergies:** Does the firm have access to the competencies and assets of related firms owned either outright or through strategic partnerships and alliances?
- **Technology:** Has the firm developed proprietary technologies that allow it to scale with demand? Has the firm developed the operational technologies (e.g., customer relationship management, fulfillment, supply chain management, inventory control, and human resource systems) to survive?



Revenue vs. Gross Income_Profit_Earnings vs. Net Income_Profit_Earnings



Analyzing the Viability of Online Firms

Financial Analysis

key factors to look for in a firm's statement of operations:



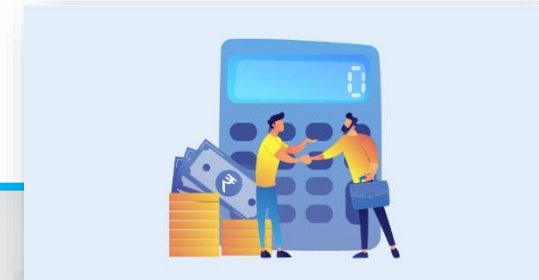
- **Revenues:** Are revenues growing and at what rate? Many e-commerce companies have experienced impressive, even explosive, revenue growth as an entirely new channel is created.
- **Cost of sales:** What is the cost of sales compared to the revenues from sales? Cost of sales typically includes the cost of the products sold and related costs. The lower the cost of sales compared to revenue, the higher the gross profit.

Analyzing the Viability of Online Firms

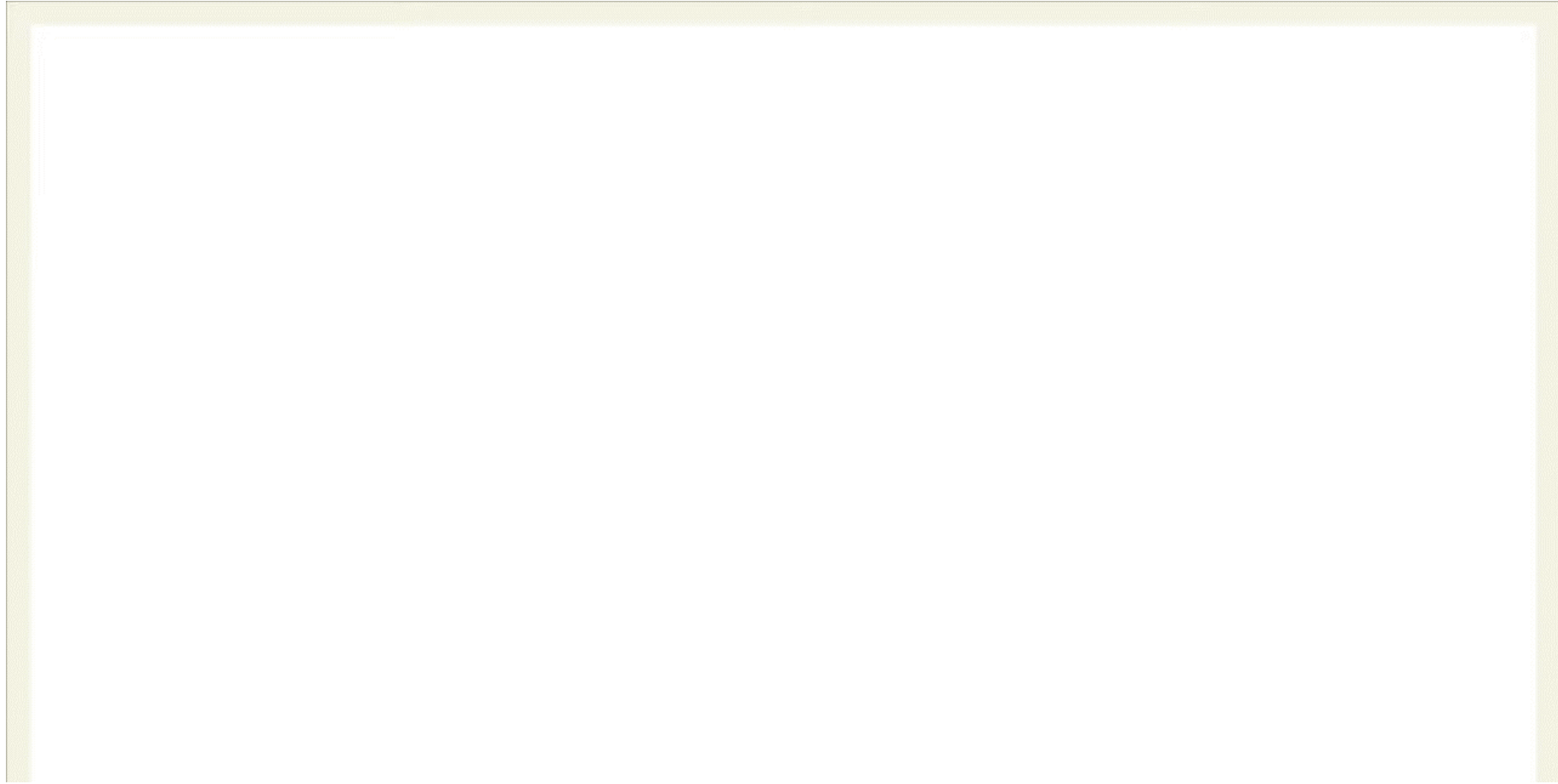
Financial Analysis

key factors to look for in a firm's statement of operations:

- **Gross margin:** What is the firm's gross margin, and is it increasing or decreasing? Gross margin is calculated by dividing gross profit by net sales revenues. Gross margin can tell you whether the firm is gaining or losing market power vis-à-vis its key suppliers.
- **Operating expenses:** What are the firm's operating expenses, and are they increasing or decreasing? Operating expenses typically include the costs of marketing, technology, and administrative overhead.



Understanding Operating Margin



Analyzing the Viability of Online Firms

- **Operating margin:** What did the firm earn from its current operations? Operating margin is calculated by dividing operating income or loss by net sales revenue. Operating margin is an indication of a company's ability to turn sales into pre-tax profit after operating expenses have been deducted.
- **Net margin:** Net margin tells us the percentage of a firm's gross sales revenue that the firm was able to retain after all expenses were deducted. Net margin is calculated by dividing net income or loss by net sales revenue.



$$= \frac{\text{Operating Income}}{\text{Revenue (sales)}}$$



Net Profit Margin Formula = $\frac{\text{Net Profit}}{\text{Net Sales}} \times 100$



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The Retail Sector

- Lower Costs for Consumers: The internet would reduce search and transaction costs, leading consumers to seek the lowest prices online. Only efficient, low-cost, high-service retailers would survive.
- Low Entry Barriers: Starting an online store was thought to be cheaper and more efficient than running physical stores, with falling tech costs and easy customer acquisition through search engines.
- Disruption of Traditional Retail: Traditional stores were expected to be replaced by fast-growing online startups like Amazon, which would benefit from first-mover advantages.
- Disintermediation: In some sectors, manufacturers would sell directly to consumers, eliminating middlemen and physical retail channels.

The Retail Sector

- However, most of these predictions did not fully materialize. By 2022, e-commerce made up only about 15% of U.S. retail sales. Many early online-only retailers failed due to unsustainable pricing, inefficient operations, and high customer acquisition costs.
- Over time, consumer behavior shifted. Shoppers began valuing **convenience, trust, brand, and experience** over just low prices. This allowed online retailers more pricing flexibility.
- Despite the initial failures, online retail has become the **fastest-growing and most innovative** retail channel. It created opportunities for new business models and supported the rise of **omnichannel retailing**, where traditional retailers integrate online and offline experiences.

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E-commerce in Action: Online Retail Business Models

Types of Online Retail Business Models

- **Virtual Merchants:** Online-only retailers with no physical stores.
- **Omnichannel Merchandisers:** Retailers that combine online and physical store operations (also called bricks-and-clicks).
- **Manufacturer-Direct:** Brands that sell directly to consumers via their own websites.



E-commerce in Action: Online Retail Business Models

Virtual Merchants

- Virtual merchants rely almost entirely on online sales.
- They face **major challenges**: building brand, infrastructure, and customer base from scratch.
- No physical store costs, but high expenses for tech, fulfillment, and marketing.
- Customer acquisition is **costly**; profit margins are low.
- Success depends on operational efficiency and fast, reliable delivery.
- **Common strategy**: low prices + convenience + strong fulfillment.
- Subscription-based virtual merchants are growing (e.g., Birchbox, Stitch Fix, Barkbox).
- Virtual merchants generate nearly **half** of total online retail revenue.



Amazon: The Vision

- **Jeff Bezos's original vision:** The Internet would revolutionize commerce. Early growth mattered more than profitability.
- **Three pillars of success:** Lowest prices - Best selection - Maximum convenience
- **Amazon today:**
 - ❖ World's largest online marketplace
 - ❖ Millions of new and used items
 - ❖ Rich user-generated reviews
- **Product categories:**
 - ❖ **Physical:** Books, electronics, clothing, home goods, toys, groceries, etc.
 - ❖ **Digital:** Prime Video, Kindle, Audible, Alexa, Amazon Music, etc.
- **Beyond retail:**
 - ❖ Amazon Web Services (AWS)
 - ❖ Online advertising network
 - ❖ Content production (films, series)



E-commerce in Action: Online Retail Business Models

Amazon: Business Model



- **Three Core Segments:** Amazon operates through three main segments: North America, International, and Amazon Web Services (AWS).
- **Direct Retail Sales:** Amazon sells both physical and digital products directly to consumers, acting like a traditional retailer. It also offers its own private-label products, such as Amazon Basics, and manufactures devices like Kindle and Echo smart speakers.
- **Third-Party Marketplace:** Amazon allows other merchants to list and sell products on its platform. These sellers manage their own inventory, and Amazon may assist with fulfillment. Amazon earns fees for providing the platform and services, acting like a digital shopping mall.
- **Cloud Services (AWS):** AWS provides cloud computing and storage solutions to businesses and developers. It enables companies to build and run applications without needing their own physical infrastructure.
- **Subscription Services:** Amazon offers subscription-based services like Amazon Prime, which includes fast shipping and access to digital content such as movies, music, and e-books.
- **Digital Advertising:** Amazon has developed a powerful advertising platform. It displays ads within its site and through its ad network, targeting users based on their shopping behavior.

Amazon Financial Analysis



- Amazon grew fast, focusing on expansion over profit.
- Faced ups and downs, but learned to balance growth with stability.
- Diversified income: retail, cloud, ads, subscriptions, and investments.
- Strong cash flow = flexibility + resilience.
- Not immune to losses, but financially solid overall.

Amazon Strategic Analysis — Business Strategy

- **Customer-first:** Every strategy starts with what benefits the customer most speed, convenience, and value.
- **Platform evolution:** Amazon shifted from selling products to enabling others to sell, creating a vast ecosystem.
- **Tech-driven growth:** Heavy investment in logistics, AI, and automation to stay ahead.
- **End-to-end control:** From product sourcing to delivery, Amazon aims to manage the full customer experience.



Amazon Strategic Analysis — Competition

- **Retail Rivals:** Amazon's biggest U.S. competitor is Walmart, which is rapidly improving its e-commerce game. Both are learning from each other—Walmart builds online strength, Amazon builds physical presence.
- **Marketplace Challengers:** Online-only platforms like eBay, Wayfair, and Etsy compete in niche areas, but Amazon remains dominant in scale and variety.
- **Global Threats:** Alibaba in China is a major global competitor, especially in international markets where Amazon is still expanding.
- **Media & Entertainment:** Amazon competes with Spotify, Netflix, and others through Prime Video and Amazon Music, offering streaming content as part of its ecosystem.



Amazon Strategic Analysis — Technology

- **Tech is Amazon's backbone:** From website design to delivery, Amazon runs on advanced, custom-built technology.
- **Smart systems everywhere:** It uses powerful tools for search, recommendations, transactions, and order tracking.
- **Warehouses powered by tech:** Employees use smart devices to manage inventory and speed up fulfillment.
- **AWS was born from Amazon's tech strength:** Its cloud platform now powers businesses around the world.
- **Innovation never stops:** From Alexa and Echo to drones and smart home devices, Amazon keeps pushing boundaries.



- **Amazon**  **Strategic Analysis** — Social & Legal Challenges
- **Worker treatment under scrutiny:** Amazon has faced criticism and lawsuits over employee working conditions, especially during the COVID-19 pandemic.
- **Legal pressure:** The company regularly deals with lawsuits, especially around patent issues—most are settled quietly.
- **Antitrust investigations:** Governments in the U.S. and Europe are examining Amazon's market dominance and competitive practices.
- **Public image matters:** These challenges affect how the public and regulators view Amazon's power and responsibility.



Amazon Future Prospects

- **Profitability is real:** Amazon has proven it can be sustainably profitable, especially through AWS, Prime, and Ads.
- **Growth vs. Profit:** The company still spends heavily to expand, which can impact short-term profits.
- **Economic headwinds:** Inflation, post-pandemic shifts, and global uncertainty have slowed growth.
- **Strategic expansion:** Amazon keeps investing in new sectors—like healthcare—showing it's not done evolving.
- **Unpredictable future:** With its constant reinvention, no one can say for sure what Amazon will look like next.



E-commerce in Action: Online Retail Business Models

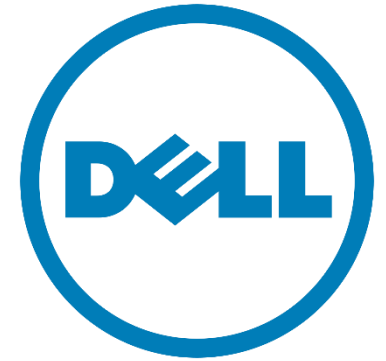
Omnichannel Merchants: Companies that have a network of physical stores as their primary retail channel but have also introduced online offerings.

- Benefit from brand recognition, customer base, and logistics infrastructure.
- Face challenges in syncing pricing and operations across channels.
- Must build strong websites and hire skilled digital staff.
- Walmart is a key example of successful omnichannel transformation.
- Offers features like online pickup, curbside service, and mobile checkout.
- Uses social media, livestreaming, and influencer marketing to engage customers.
- Customers who shop across channels tend to spend more and shop more often.



Manufacturer-Direct (D2C): firms that sell directly online to consumers without the intervention of retailers."

- Gaining popularity in electronics, apparel, and consumer goods.
- Offers brand control and lower costs.
- Success depends on efficiency, customer acquisition, and digital presence.



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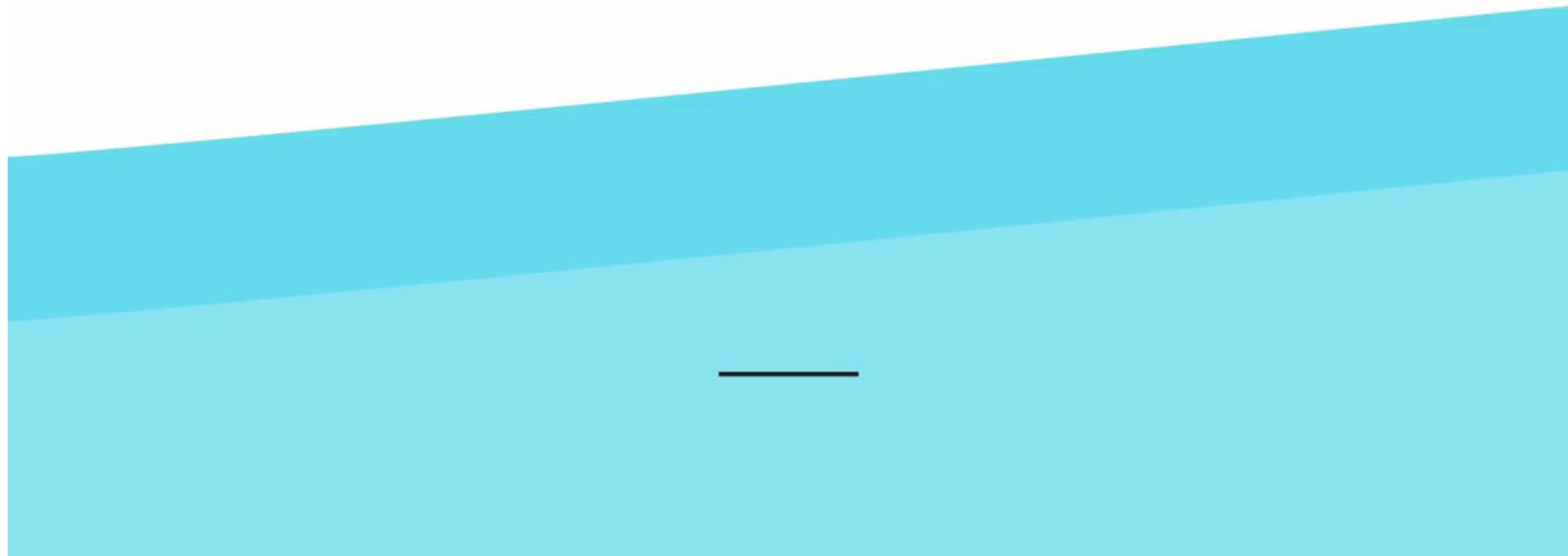
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Fintech

The Financial Revolution Has Just Begun



Online Financial Services



Fintech

- **What is Fintech:** (short for *financial technology*) refers to companies that use modern technology to improve or reinvent financial services. While traditional banks have long used IT, fintech firms stand out by offering focused, digital-first solutions—often through mobile apps—outside the traditional financial system.
- **How Does It Work?:** Fintech companies break down traditional services like loans, payments, or investments and deliver them directly to users using tools like mobile apps, AI, and big data. The goal is to make financial services faster, more accessible, and user-friendly.
- **Example:** Afterpay is a fintech app that lets users buy now and pay later in interest-free installments. It pays the merchant immediately and collects the money from the user over time. It uses data to assess repayment ability, offering a smooth and flexible shopping experience.

Neo Banks



Neo Bank

The millennials' new way of banking

Online Financial Services

Online Banking

- **What is Online Banking?:** Online banking allows users to manage their finances through websites or mobile apps instead of visiting a physical branch.
- **Types of Online Banks**
 - ❖ **Traditional banks with online services** (e.g., Bank of America, JPMorgan Chase).
 - ❖ **Neobanks** – fully digital banks like **Chime** and **Aspiration**, offering mobile-first experiences and targeting younger users.
- **How It Works:** Users can check balances, transfer money, pay bills, and even deposit checks using smartphone apps. These services are fast, convenient, and available 24/7.
- **Example:** Chime is a digital-only bank offering checking and savings accounts with no physical branches. It targets everyday users with tools to improve financial health.



Online Financial Services



Online Brokerage

- **What is Online Brokerage?** Online brokerage allows users to buy and sell stocks and manage investments through websites or mobile apps.
- **How It Works:** Users can monitor their portfolios, get stock quotes, place trades, and do financial research—all from their phones or computers.
- **Example :** Robinhood made stock trading free and easy through its app. It attracted many young investors but also faced criticism and legal issues.

Online Financial Services

Online Mortgage and Lending Services

- **What Is It?** Online mortgage and lending services aim to simplify how people borrow money—especially for buying homes—by using digital platforms instead of traditional paperwork-heavy processes.
- **Early Challenges:** Many early online-only mortgage firms failed due to high costs, weak branding, and complex loan processes. But over time, established banks and a few successful digital lenders have grown the market.
- **How It Works:** Borrowers can research, apply, and even sign most documents online.
- **Benefits**
 - ❖ Faster applications
 - ❖ Easier rate comparisons
 - ❖ Lower costs for both lenders and borrowers
- **Limitations:** The mortgage process is still complex and often requires physical steps like final signatures and document reviews.



Online Financial Services

Online Insurance Services

- **What Is It?** Online insurance services help users compare, apply for, and manage insurance policies digitally.
- **Industry Overview** Insurance includes auto, life, health, and property/casualty. These products can be complex and often require expert advice or inspections. The industry is regulated at the state level, making online expansion more challenging.
- **How It Works:** Consumers use websites and apps to get quotes, compare options, and sometimes purchase policies.
- **Benefits:**
 - ❖ Easier price comparisons
 - ❖ Faster applications
 - ❖ Lower costs for insurers and customers
 - ❖ Growing use of social media for research



Online Financial Services

Online Real Estate Services

- **What Is It?** Online real estate platforms help users search for homes, compare listings, and explore neighborhoods. While they haven't replaced real estate agents, they strongly influence offline decisions.
- **How It Works** Sites like **Realtor.com**, **Zillow**, and **Redfin** list millions of properties with photos, virtual tours, and tools like mortgage calculators and neighborhood data. Most buyers start their search online, even if they still use an agent.
- **Benefits**
 - ❖ Easy access to listings
 - ❖ Virtual tours and detailed info
 - ❖ Tools for comparing prices, schools, and neighborhoods
- **AI & Personalization** Platforms use AI to recommend homes based on user preferences.



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On-Demand Service Companies

Online Travel Services

Definition & Role

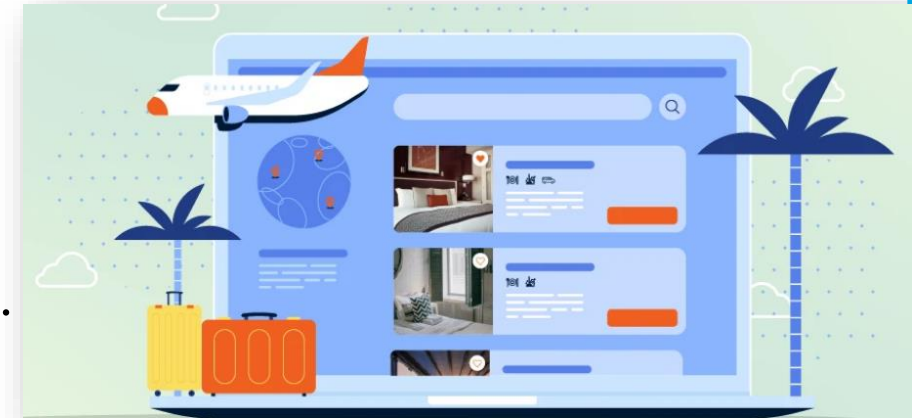
- Online platforms for booking flights, hotels, cars, cruises, and tours. It is the most common method for planning and reserving travel today

User Behavior

- Majority of users research and book travel online where platforms offer price comparisons, reviews, and instant booking.

Key Takeaway

- Online travel services transformed the industry by increasing convenience and transparency, but remain sensitive to global disruptions.



Online Travel Services

Why Are Online Travel Services So Popular

For Consumers	For Suppliers (Airlines, Hotels, etc.)
One-stop travel experience: content, booking, support	Access to large, targeted customer pools
Easy comparison of prices and options	Lower marketing and transaction costs
Rich information: reviews, photos, virtual tours	Ability to fill excess capacity (seats, rooms, cars)
Convenience: plan, book, and pay online	No need for physical offices or agents

Travel is an information-rich, inventory-free service, making it ideal for digital platforms. Online travel companies efficiently connect fragmented suppliers with millions of consumers in a low-cost, scalable way.

Online Travel Services

The Online Travel Market

Sector	Description	Ease of Online Booking
 Airline Tickets	High revenue; standardized and easy to describe and book	 Very Easy
 Car Rentals	Simple process; users expect consistent results	 Very Easy
 Hotel Reservations	More complex; branding and visuals help users feel confident in choices	 Moderate
 Travel Packages	Least common online purchase; often complex and customized	 Less Common

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Online Job Recruitment and Career Services

- **Traditional Recruitment Challenges**

- ❖ Limited reach and high costs (e.g., print ads, staffing firms)
- ❖ Time-consuming processes (e.g., career expos, campus visits)
- ❖ Low efficiency in matching candidates with jobs

- **Rise of Online Platforms**

- ❖ Faster, cheaper, and broader access to talent
- ❖ Popular platforms: LinkedIn, Indeed.
- ❖ Employers can search résumés, track applicants, and conduct video interviews
- ❖ Job seekers benefit from résumé tools, assessments, and privacy features

- **Strategic Role of Job Boards**

- ❖ Not just for matching—also for market insights
- ❖ Help define salary benchmarks and skill requirements

Online recruitment platforms have revolutionized hiring by automating information flow, expanding reach, and enhancing decision-making for both employers and job seekers.



Online Job Recruitment and Career Services

Online Job Recruitment and Career Services Industry Trends

1. Social Recruiting

- **LinkedIn** is the dominant platform:
 - ❖ Used by over 90% of recruiters
 - ❖ Hosts 60M+ company pages
 - ❖ 50M+ users search for jobs weekly
- Employers now target **passive** candidates (not actively job hunting)
- Social media is also used for screening:
 - ❖ 67% of employers check candidates' profiles
 - ❖ Common red flags: spelling errors, inappropriate content, political posts
 - ❖ No online presence can also be a disadvantage



Online Job Recruitment and Career Services Industry Trends

2. Mobile-First Job Search

- 67% of job applications were submitted via mobile in 2021
- Major platforms (LinkedIn, Indeed, CareerBuilder) offer full-featured apps
- Features include:
 - Resume creation and upload
 - Job search by keyword/location
 - Direct messaging and application submission.



Online Job Recruitment and Career Services Industry Trends

3. Video & Remote Hiring

- Accelerated by the pandemic
- Tools like **Zoom** and **Teams** are now standard for interview
- **Reduces time** and **cost** for both recruiters and candidates



Online Job Recruitment and Career Services

Online Job Recruitment and Career Services Industry Trends

4. AI & Data-Driven Hiring

- Companies use **AI and algorithms** to:
 - Filter applications
 - Match candidates to roles
 - Automate communication (e.g., chatbots like WorkLLama)
- Online recruitment is evolving rapidly, blending **technology, mobility, and social behavior** to create a more efficient—but also more complex—hiring ecosystem.



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On-Demand Service Companies

On-Demand Service Companies

What Are On-Demand Service Companies?

- Platforms that connect individuals who have underused resources (cars, rooms, labor) with consumers who need temporary access to them.
- Known as: **Sharing Economy, Collaborative Commerce, Peer-to-Peer Consumption, We-Commerce.**
- Unlike traditional sharing, these platforms charge fees to users and/or providers.



On-Demand Service Companies

How They Work – Features & Examples

- **Key Features:**

- Use of mobile apps for local, real-time services
- Lower costs compared to traditional services

- **Examples:**

- **Uber:** On-demand transportation
- **Airbnb:** Peer-to-peer lodging
- **Instacart / Grubhub:** Food delivery

Uber



On-Demand Service Companies

Impact, Challenges & Regulation

- **Disruption:** These platforms challenge traditional industries (hotels, taxis, etc.) by offering flexible, lower-cost alternatives.
- **Legal Challenges:** Airbnb faces global regulatory hurdles that may affect its growth.
- **Key Insight:** Success depends on scalability, trust, and navigating local laws.

Explain how to analyze the economic viability of an online firm.

- The economic viability of a firm, or its ability to survive during a specified time period, can be analyzed by examining the key industry strategic factors, the strategic factors that pertain specifically to the firm, and the financial statements of the firm.
- The key industry strategic factors include barriers to entry, the power of suppliers, the power of customers, the existence of substitute products, the industry value chain, and the nature of intra-industry competition.
- The key firm strategic factors include the firm value chain, core competencies, and synergies; the firm's current technology; and the social and legal challenges facing the firm.
- The key financial factors include revenues, cost of sales, gross margin, operating expenses, operating margin, net margin, and the firm's balance sheet.

Understand the environment in which the online retail sector operates today.

- During the early days of e-commerce, some predicted that the retail industry would be revolutionized because of reduced search costs, lower market entry costs, the replacement of physical store merchants by online companies
- Today, it has become clear that few of the initial assumptions about the future of online retail were correct. The reality is that:
 - ❖ Online consumers are not primarily cost-driven—instead, they are as brand-driven and influenced by perceived value as their offline counterparts.
 - ❖ Online market entry costs were underestimated, as was the cost of acquiring new customers.
 - ❖ Older, traditional firms have not disappeared and are reinventing themselves as omnichannel retailers.

Review

Identify the primary types of online retailers, and understand the different challenges each type faces.

Virtual merchants are e-commerce firms that generate almost all of their revenues from online sales. Their challenges include building a business and a brand name quickly, dealing with many competitors in the virtual marketplace, having substantial costs to build and maintain an e-commerce presence, having considerable marketing expenses, having large customer acquisition costs, and needing to quickly achieve operating efficiencies in order to preserve a profit. Amazon is the most-wellknown example of a virtual merchant.

Review

Identify the primary types of online retailers, and understand the different challenges each type faces.

Omnichannel merchants (bricks-and-clicks) have a network of physical stores as their primary retail channel, but they also have online operations. Their challenges include high costs of physical buildings, high costs of large sales staffs, the need to coordinate prices across channels, the need to develop methods of handling cross-channel returns from multiple locations, and the needs to build a credible e-commerce presence; hire new, skilled staff; and build rapid-response order entry and fulfillment systems. Walmart is an example of a bricks-and-clicks company.

Review

Identify the primary types of online retailers, and understand the different challenges each type faces.

Manufacturer-direct merchants (also sometimes referred to as DTC or D2C [direct-to-consumer]) are either single- or multi-channel manufacturers who sell to consumers directly online without the intervention of physical retailers. Their challenges include channel conflict; quickly developing a rapid-response online order and fulfillment system; switching from a supply-push (products are made prior to orders being received based on estimated demand) to a demand-pull model (products are not built until an order is received); and creating sales, service, and support operations online. Dell is an example of a manufacturer-direct merchant.

Review

Discuss the trends taking place in the online financial services industry today.

- **The online financial services** sector is a good example of an e-commerce success story, but the success is somewhat different than what had been predicted in the early days of e-commerce. Today, multi-channel, established financial firms have, in many instances, taken over many of the early online innovators. However, increasing investment in “fintech” startup companies in the financial services industries is bringing a new wave of innovation.
- **Online banking** (particularly mobile banking) and online brokerage (stock trading) have now become commonplace.
- Despite a rocky start, the **online mortgage** market is slowly growing; it is dominated by established online banks and other online financial services firms, traditional mortgage vendors, and a few successful online mortgage firms.

Review

Discuss the trends taking place in the online financial services industry today.

- Term **life insurance** stands out as one product group supporting the early visions of lower search costs, increased price transparency, and the resulting consumer savings. However, in other insurance product lines, the Web offers insurance companies new opportunities for product and service differentiation and price discrimination.
- The early vision that the historically local, complex, and agent-driven **real estate industry** would be transformed into a disintermediated marketplace where buyers and sellers could transact directly has not been realized. The major impact of the online real estate industry is in influencing offline purchases, and the primary service is a listing of available houses, with secondary links to mortgage lenders, credit reporting agencies, neighborhood information, loan calculators, appraisal reports, sales price histories by neighborhood, school district data, and crime reports.

Describe the major trends in the online travel services industry today.

- The Internet has become the most common channel used by consumers to research travel options and book reservations for airline tickets, rental cars, hotel rooms, and tours. However, online travel services were severely impacted by the Covid-19 pandemic and are just now returning to pre-pandemic levels.

Review

Identify the current trends in the online job recruitment and career services industry.

- Next to travel services, online job recruitment and career services have been one of the Internet's most successful online services because they save money for both job hunters and employers.
- Online recruiting can also serve to establish market prices and terms, thereby identifying both the salary levels for specific jobs and the skill sets required to achieve those salary levels.
- The major trends in the online career services industry are social recruiting; mobile, video and remote recruiting; job search engines/aggregators; and the use of data analytics, artificial intelligence, and algorithms.

Review

Understand the business models of on-demand service companies.

- **On-demand service** companies provide a platform that enables the on-demand delivery of various services by connecting providers (“sellers”) who wish to exploit their “spare” resources, such as cars, rooms with beds, and ability to perform various services via their personal labor, with consumers (“buyers”) who would like to utilize those resources and services. The companies collect a fee from both sellers and buyers for using the platform.
- Uber, a car rental service, and Airbnb, a room rental service, are the most well-known, but there are now thousands of firms whose business model is to provide transaction platforms that enable the online delivery of various services. These firms are also among the most disruptive and controversial.

Reference

