

A FRAMEWORK FOR ELECTRONIC COMMERCE IN RETAIL

Mr. Alok Singh¹, Dr. Sunil Kumar Yadav²

¹Assistant Professor, Raffles University, Neemrana, Rajasthan, (India)

²Assistant Professor, Delhi University, (India)

ABSTRACT

The “4Ps” of the marketing mix have long been popular with students, tutors, trainers and practitioners as learning and teaching aid. The purpose of this paper is to present an equivalent tool for retail and e-retail: “Sale the 7Cs”. The approach is by reference to and synthesis of other authors’ versions of the marketing, retail and e-retail mixes, distilled into a simplified framework. The findings or outcome of the study are summarized into a framework that has seven components, linked by the “C” mnemonic. Starting with C1 for convenience; the framework also includes C2 for customer value and benefit, C3 for cost to the customer, C4 for computing and category management, C5 for customer franchise, C6 for customer care and service and C7 for communication and customer relationships. This simplified mnemonic is new for e- retail.

Keywords: Retail Marketing, E-Retailing, Electronic Commerce, Marketing Mix, 7CS of E-Retail Mix.

I. INTRODUCTION

The retail and e-retail mix can be defined as the total package of goods and services that a retailer or e-retailer offers for sale to the public (Lazer and Kelly, 1961). E-retail mix is, a shorthand term for the blend of tools and techniques that e-retailers use to provide value for customers. It is a development of the well-known marketing mix, more specific to retail and e-retail. As far back as the first half of the twentieth century, the job of the marketer was described as a “mixer of ingredients” (Culliton, 1948). Marketers devise strategies and tactics aimed at providing satisfaction and adding value for customers. The various elements are blended into a “marketing mix” – a phrase first coined by Neil Borden (1964) of Harvard Business School. The marketing mix is most widely known as E. Jerome McCarthy’s (1960) “4Ps”: place, product, price and promotion. Acronyms such as 4Ps, Booms and Bitner’s (1981) 7Ps for services and Lauterborn’s (1990) 4Cs have been criticised as oversimplifications. Whilst not based on any theory, the original 4Ps, for example, was “firmly based on the needs of the manufactured goods sector” and the need for practitioners to “break down their decision making into a number of identifiable and actionable headings” (Palmer, 2004). As such, the 4Ps have long found favour not only with marketing managers but also with lecturers, students and trainers. E-retailers have similar needs to structure decision making of the elements of their offers to customers that are essential to success. This paper is intended to provide them with an equivalent simple, easy to remember mix: “sale the 7Cs”.

II. THE MARKETING MIX ADAPTED FOR E-RETAILING

“Place” in the 4Ps is not quite self-explanatory, but refers to the routes organizations take to get the benefits of the product or service to the intended customers – channels of distribution. “Product” means both tangible product and also “service” and all the ways that an organisation adds value. “Price” means not just the price charged, but also all aspects of pricing policy including, for example, distributor margins. “Promotion” is not just the more-specialized “sales promotion”, but also every way that a product is promoted to customers – from print advertising to web sites. In recent decades there have been numerous attempts to update and revise the marketing mix. One development is particularly descriptive of the way marketers think about the customer. The “4Cs” (Lauterborn, 1990) imply more emphasis on customer wants and concerns than do the 4Ps. The 4Cs are: convenience for the customer; customer value and benefits; cost to the customer; and communication. Reflecting the emphasis of “new” marketing on long-term relationships with customers, we include customer relationships within the umbrella of the “communication”.

III. THE 7C’S MODEL

3.1. Convenience for The Customer

“Place” (from the 4Ps), rather than implying managements’ methods of placing products where they want them to be, can be thought of as “convenience for the customer”, recognizing the customers’ choices for buying in ways convenient to them. For the bricks retailer, “place” incorporates what can be the most critical decisions concerning “location”, reflecting shoppers’ preferences for short travel journeys, easy access, parking and so on. For the e-retailer, this is also important, as many customers prefer a multi-channel approach: browse on the web, buy in store or vice versa – or buy on the web, return to the store for a refund! This perhaps goes some way towards explaining the success of high street and multi-channel retailers in e-retail, compared to the dot.com “pureplays”. Physical location can also be important for the e-retailer as many customers prefer to buy from, or are more likely to trust, an e-retailer based at least in the same country, where carriage costs and maybe taxes are cheaper. “Location” for the e-retailer also means virtual location and the ease of finding the web site. This entails registration with search engines, location in e-malls and links from associates. Convenience also includes key aspects of web-site design such as navigation, layout and ease of purchase. For the “bricks” retailer, convenience decisions include shelf space allocation and layout. The equivalent in “clicks” e-retail is site design and page layout. For example, whether layout follows the “free-flow” or “grid” type of layout, or indeed a combination such as “free-grid” (Vrechopoulos, 2001; Vrechopoulos et al., 2004; see Dennis et al., 2004 for more on store and e-store layout and design and all elements of the e-retail mix).

3.2. Customer Value and Benefits

“Product”, rather than being something that a company has to sell, can be thought of as a “customer value and benefits” – meaning the bundle of service and satisfactions wanted by customers. People do not buy “products” as such, but rather solutions to problems or good feelings. Retailers and e-retailers now specify (and sometimes design) products to a much greater extent than previously, reflecting closeness to the customer and appreciation of benefits that customers want in terms of choice, style, uniqueness, and so on. An essential task of retail and e-retail is selecting the range of products offered for sale – assembled for target markets from diverse sources. The

wide and deep range that can be offered is one of the areas where the “clicks” e-retailer can score relative to the “bricks” retailer. The lowest price does not always result in the highest sales, as many shoppers may value aspects such as style, design and fashion, for example. When buying online, customers are far less likely to request help than they are in the store. Rather, e-shoppers who need help in understanding a product are more likely to abandon the transaction and find an alternative supplier or even buy through a different channel. E-businesses, therefore, need to be particularly careful about describing products clearly in customer value and benefits terms.

3.3. Cost to The Customer

“Price” may be what companies decide to charge for their products, but “cost to the customer” represents the real cost that customers will pay, including, for example, in the case of “bricks” retail, their own transport costs. For “clicks” e-retail, there are also the costs of carriage and perhaps taxes to be added to the quoted prices. High carriage charges may be one reason for the high rate of carts abandoned at the checkout. Customers also need to consider the possible costs of internet access. Consumers have a perception that prices should be lower online than in store, and this can cause problems when customers buying via other channels realise that they are paying more than online customers. For example, Screwfix (www.screwfix.com), a well-known supplier of tradesperson’s supplies via paper catalogue and telesales, have a number of attractive special offers available only online. Customers, who have looked up what they want online, and then telephone to order, can be irritated to learn that the extra discounts are not available when ordering by phone.

3.4. Communication and Customer Relationships

“Communication” is equivalent to the final “P” in the 4Ps: “promotion”. Promotion suggests ways in which companies persuade people to buy, whereas communication is a two-way process also involving feedback from customers to suppliers. Reflecting an increasing control of elements of the retail mix by retailers rather than manufacturers, retailers spend more on advertising than manufacturers do (assisted by advertising allowances from manufacturers). Retailers are closer to the customer than are manufacturers and have more access to customer feedback. Communication is not just advertising, though, but all the ways in which retailers communicate with their customers, including, for example, marketing research surveys, public relations (PR), direct mail, e-mail, internet, marketing database and loyalty schemes. Successful e-retailers often use offline advertising such as magazines and “click here” sections of newspapers integrated with online marketing communications. Online methods include banner ads and pop-ups (often incentivized); paid-for listings in search engines and directories; and affiliate programmes. Successful e-retailers need that the communication media are integrated in order to reinforce a consistent, positive perception. Customer relationships are an area that successful bricks retailers such as Tesco (www.tesco.co.uk) have used to gain a major lead over competitors. In the “communication” section above, the importance of the emotional aspects of selling was mentioned. The sales representative selling face-to-face in the “bricks” retail store can use verbal and non-verbal (body language) communication to build personal relationships with customers, enhancing the emotional value of products. In trying to replicate the physical buying experience, the e-retailer is at a disadvantage. On the other hand, with transaction data ready-digitized, the e-retailer is well placed to enhance product value using customer relationship management (CRM) techniques. For example, data mining can be used to build a picture of products most likely to be wanted by individual customers. Products tailored specifically can be offered pro-

actively. Amazon (www.amazon.co.uk), for instance, uses such a system to match new books to existing customers likely to be interested in them.

3.5. Computing and Category Management Issues

The success of retailers has been founded on supplying the products that customers want, in the right sizes and quantities, at the right time and in the right place. With the growth in consumer choice has come a proliferation of products. Superstores carry 20,000 plus branded products and department stores from 100,000 even up to 1 million or more. Efficient control of this degree of complexity needs effective computer and logistics systems.

Retail logistics have been changing rapidly over recent decades. Firstly, the growth of retailer power has involved major retailers taking more control of their supply chains. The involvement of wholesalers has been reduced, tending to give way to contract logistics (under retailer control). At the same time, supply chains have become more efficient with computer network links between suppliers and retailers – many still based on electronic data interchange (EDI). Pre-dating the web, EDI is based on privately owned third party computer networks. Stock levels have been reduced using techniques such as quick response and efficient customer response (QR and ECR – the retailers' equivalents of just-in-time or JIT). EDI networks are expensive to install, costing at least hundreds of thousands of pounds. There is a growing trend towards the use of the internet, particularly for smaller businesses (suppliers and customers) and smaller order quantities.

Increasingly, retailers such as Tesco are allowing internet access to their suppliers for real time electronic point-of-sale (EPoS) data. Trusted supplier partners can thus respond more quickly to changes in customer demand. Co-operation between suppliers and retailers has been key to improving the efficiency of satisfying customers whilst minimizing stocks and costs. On the larger scale, this co-operative process is known as "category management", the retailer/supplier process of satisfying consumers by managing categories as strategic business units.

3.6. Customer Franchise

As alluded to briefly in the "communication" sub-section above, e-retailers attempt to develop positive profiles or images in the market place. The most successful "bricks" retailers have invested heavily in quality, customer care and service in order to raise their standing in the assessments of customers. Some authors refer to the accumulated value of image, trust and branding as the retailer's "customer franchise". Customer franchise might be seen as stemming from communications and customer care, but we consider that e-retail image is so central to business success that it merits a separate category. Retailers have "progressed from being just merchants to retail brand managers" (McGoldrick, 2002, drawing support from Kumar, 1997). Many "bricks" retailers have high quality brands with clear personalities backed by long-term corporate promotion. These strong brands give "bricks and clicks" retailers a head start over "pureplay" dot.coms. Lack of trust has been one of main factors inhibiting the growth of e-retail. As McGoldrick (2002) pointed out, with greater choice, consumers choose the brands that they trust. Start-up brands must work hard on trust.

3.7. Customer Care and Service

E-retailers may often offer similar products and prices to those of their competitors. Customer care and the services offered can be critical in shoppers' choices of stores and their degree of loyalty. According to McGoldrick (2002), retailing has traditionally been classified as a "service industry" but, for most retailers, the

preoccupation with service quality and services offered is of more recent origin. At the broadest level, most of a retailer's activities deliver a form of service to the consumer, creating assortments at competitive prices in accessible locations. These activities therefore all play major roles in creating customer satisfaction.

More specifically for the e-retailer, good service means, for example, reasonably fast and reliable deliveries at times convenient to the shopper; availability of telephone help; return and refund facilities. These are aspects on which the early e-retailers have been lamentably poor, with the big majority of e-shoppers still having a sorry tale to tell. For the "bricks" retailer, even in self-service settings, store personnel play a crucial role in forming retail images and patronage intentions. The e-retailer is at a disadvantage, but elements such as click-through telephone help, bulletin boards and chat rooms can help to make the e-shopping experience more interactive. In general, the successful e-retailer sets out to make shopping more enjoyable, more convenient and/or less worrying for the customers. When buying high priced items and those with a high "personal" content such as cars, shoppers particularly value personal service. Retailers such as Virgin (www.virgin.co.uk) attempt to overcome this drawback with a pop-up window with a phone numbers to reach a sales consultant, and the working hours in which they are available.

IV. THE COMMUNICATIONS MIX FOR THE E-RETAILER

All elements of the retail mix can actually form part of the communications mix. For example, in the case of an e-retailer, "convenience" can include the ease of finding the site, say by paid links from other sites or search engines, communicating the existence of the site to the potential customer. "Customer value and benefit" can be reflected in the width and depths of product offered and ease of navigating around this large range, communicating a benefit of buying online rather than in store. "Cost to the customer" can communicate price positioning in the case of a cost leadership strategy. Alternatively, high prices with "round" figures can communicate quality and prestige. "Computing and category management" can communicate added value from the availability of a wide range of products on short delivery times. "Customer franchise" is largely a communications and branding issue. For example, improving the information value of an e-retailing site can improve image and branding. Similarly, "customer care and service" can communicate a positive image. Although many of the critical aspects of service are not visible until the order is fulfilled, a generous returns policy can act as a proxy in communicating an image of good service. Finally, "communication and customer relationships" describes the communications mix proper, which can have a huge variety of elements from marketing research surveys to e-mail, and from advertising to sponsorship.

V. CONCLUSION

The complexities of the retail and e-retail mixes can be represented by a simplified, easy-to-remember mix, "Sale the 7Cs":

- (1) C1 – convenience.
- (2) C2 – customer value and benefit.
- (3) C3 – cost to the customer.
- (4) C4 – communication and customer relationships.
- (5) C5 – computing and category management.
- (6) C6 – customer franchise.

(7) C7 – customer care and service.

This 7Cs framework is also useful in drawing attention to the wider scope of the communications mix as much more than just offline media plus web advertising. The 7Cs make up a useful tool for retail lecturers and practitioners alike.

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Biographical Notes

Mr. Alok Singh is working as an Assistant Professor in Alabbar School of Management, Raffles University, Neemrana, Rajasthan, India.

Dr. Sunil Kumar Yadav is working as an Assistant Professor in Delhi University, New Delhi, India.