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The Impacts of E-SCM on the E-Tailing Industry: An Analysis from Porter's Five Force Perspectives

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Abstract

The growing of e-tailing industry drives e-tailers and e-suppliers to search for radically new ways of doing business because they have to manage all activities from procurement to delivery in their e-tailing supply chain efficiently. Nowadays, E-SCM (Electronic Supply Chain Management, also can be called as the Internet-Based Supply Chain Management) is an important tool in which customer needs are simultaneously connected to the procurement of raw materials or components, product manufacture or assembly, logistics, product delivery and support services to achieve higher market share and profit. This paper analyzes the roles of E-SCM and the effects of E-SCM on e-tailing industry in terms of e-suppliers' and e-tailers' perspectives. The impacts of E-SCM on e-tailing industry structure are analyzed with five forces (competitive rivalry, supplier power, buyer power, the threat of substitution and the threat of potential new entry) called as Porter's Five Force Analysis. In conclusion, the positive and negative impacts of E-SCM on e-tailing industry are presented, and some recommendations to e-tailing supply chain partners are given.

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Keywords: E-Supply Chain Management, E-Tailing Industry, Porter Five Force Analysis

1. Introduction

The Internet, Information Technologies (IT) and Electronic Communication have not only generated broad opportunities in the competitive business environments but also created significant changes in business activities. Thus, in the literature, an "e" in front of concepts can be used if it requires the use of the Internet or Electronic. In this study, "e" is the abbreviation of concepts related to the Internet in order to point electronic commerce, electronic retailers and electronic customers etc. Instead of them, e-commerce, e-retailers or e-tailers and e-customers are used.

Currently, Business to Business (B2B), Business to Consumer (B2C) and Consumer to Consumer (C2C) e-commerce and e-marketing have created entirely new direct channel and selling opportunities for not only retailers but also customers. Electronic Retailers (e-tailers) such as ciceksepeti.com, hepsiburada.com, bimeks.com, teknosa.com, gittigidiyor.com, dell.com, ebay.com, amazon.com and etc. have generated huge markets for selling their products

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directly to the customers by bypassing the traditional intermediaries not only in Turkey but also in the world. However, one of the most important challenges for e-tailers is to integrate supply chains and logistics technologies into their businesses. As a growing number of e-tailers enter the B2C or C2C e-commerce, the importance of supply chain activities are also increased.

The Internet and IT also shape many business activities from suppliers to customers, and let suppliers, manufacturers, logistics service providers and customers to meet at electronic marketplaces in order to search, order, sell products and services or communicate among the supply chain members efficiently. For the reason that the presentation of each member (suppliers, manufacturers, warehouses, retailers and customers, etc.) affects the overall performance of the supply chain, one of the key points is that the entire process and supply chain must be viewed as one system. Thus, companies in the supply chain entail a system to control the entire supply chain. The Internet is one of the most effective tools to provide communication among people, and E-SCM is one of the systems to follow, monitor and control the all supply chain activities. Therefore, the Internet has changed all business activities.

The aim of this study is to examine how the Internet affects e-tailing supply chain from Porter's Five Force perspectives. Accordingly, (1) the impacts of the Internet on business activities, E-SCM, e-tailing industry and Porter's Five Forces Analysis are explained comprehensively, and (2) the effects of E-SCM on e-tailing industry are analyzed and discussed.

2. Literature Review

2.1. *The impacts of the internet on business activities*

The Internet is bringing fundamental changes in the many business activities. On the one hand, the Internet has facilitated communication among supply chain members and provided a pervasive communication infrastructure as well as enormous business opportunities. On the other hand, the Internet has affected companies' power and their competitive advantage. There are very important impacts of the Internet on business activities from communication to service after sale. Particularly, the Internet is revolutionizing marketing, retailing, shopping and advertising activities of products and services. Companies are using the Internet technologies to reach out to their suppliers, manufacturers, logistics providers or customers and provide a point of contact 24 hours a day, 7 days a week. Examples of recent benefits reached by companies from the use of the Internet and IT include: (1) quick response and access to information; (2) better customer service; (3) increased competitiveness; (4) reduction on data and data re-entry (Lai et al., 2005). Thus, the Internet has become a convenient and effective tool to communicate in real time with all sides of supply chain members (Lancaster et al., 2006). Moreover, using the Internet enables e-customers to fairly easily, access information about product and service, vertical information (i.e., comparing a product across suppliers) at a low cost, to efficiently screen the offerings, and easily locate a low price for a specific item (Kolesar and Galbraith, 2000). In other words, there are also several attractive attributes of the Internet on shopping including time- and money-saving, convenience or easy accessibility, the e-customer's ability to screen and select a wide range of alternatives, and the availability of information for making purchasing or ordering decisions etc. The impacts of the Internet on business activities can be also analyzed in commerce, marketing, retailing industry and SCM activities separately.

One of the major impacts of the Internet and IT on business activities is commerce and marketing areas. The emergence of the Internet and its applications in commerce and marketing generated a huge amount of interest among entrepreneurs, managers and academics. Therefore, the Internet comes up the concepts of e-commerce and e-marketing. These new concepts have attracted special attention by current retailers or new entrepreneurs because of their market growth potential and impact on business activities from advertising, direct marketing, selling, shopping to logistics services not only in B2B and B2C markets but also C2C markets.

The rapid development of e-commerce has seen emerging in the e-tailing industry as well. E-tailing can be defined as selling products and service using the Internet. Recent trends in e-tailing industry have created pressure on traditional retailers, because e-tailing is a low cost marketing opportunity. Therefore, the retail industry is undergoing major changes in the 2000s. As competition between retailers and e-tailers are expected to intensify more and more, profit margins will become more rigid. E-tailers encompass three main facilities of consumption activities. Specifically, a product search facility (often referred as a product evaluation or information gathering facility), an on-line purchase function and a product delivery capability (Kolesar and Galbraith, 2000). The e-store can be defined as a commercial web site on which consumers can shop and make a purchase (Lim and Dubinsky, 2004). The e-stores have been able to bypass other traditional middlemen, intermediaries or retailers and shorten the length of distribution channel. Moreover, the producers of products and services would use e-stores to connect directly with e-customers, bypassing their wholesalers and retailers. Thus, the e-store is the Internet version of store that set up electronic

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