

## 3.2: Advantages and Disadvantages of Electronic Retailing

### Learning Objectives

- List some advantages and disadvantages of electronic retailing

As you learned in the previous section, e-tailing has some tremendous benefits for a retailer. It allows the retailer to reach consumers outside their immediate market area, as well as makes the retailer more convenient, as consumers can shop when and where they want, regardless of actual store locations or hours. It also maximizes the retailer's ability to fulfill orders, as they pull from reserve inventory across their distribution network and it elevates the retailer's customer service by providing shoppers direct access to product information, accurate inventory tracking, current promotional offers, and secure transactions. Finally, it provides a tremendous amount of information for the retailer, which can be analyzed to make adjustments to their operations or deployed to develop CRM initiatives with shoppers

These factors can be developed to create competitive advantage and deepen customer relationships. However, e-tailing does present some risks, which can disadvantage a retailer.

For example, developing and maintaining e-commerce infrastructure is very expensive. E-tailing capabilities require web development, optimization, inventory control, data security, and order fulfillment. These aren't "one-time" costs. Instead, they're recurring, which means that a retailer engaged in e-tailing must be resourced to maintain its online presence. This includes systems that reflect current inventory and are updated to show changes in merchandise, pricing, or promotional activity.

In addition, e-tailing does not provide the same social or emotional experience as in-store shopping for the customer. Products are merchandised on a two-dimensional screen. They cannot be touched, handled or experienced. They cannot be tried on or sampled. Also, because of how they're merchandised or displayed, it may be more challenging for e-tailers to cross-sell complementary items. In this way, e-tailing may be effective transactionally, but may not easily support expansion of the shopping basket.

Further, for high-consideration items, e-tailing may lack the customer support shoppers prefer to experience. That is, for involved purchases, shoppers may want to engage with a salesperson to ensure that they fully understand the product features and benefits they're considering. Further, they may be interested in recommendations or product add-ons like accessories or extended warranties, which aren't automatically offered in online transactions.

Another consideration is that shoppers are responsible for the return of incorrect purchases. This is important if there are return restrictions, such as within a specific time period or "in original packaging," or if there is a cost associated with shipping or restocking the item. These can be detractors and create a negative shopping experience.

The final negatives to e-tailing, which can create disadvantages for the retailer are related to security and privacy. Data breaches, which have compromised consumers' personal and financial information, may make consumers apprehensive about the volume of transactions they make online. Further, they may raise questions about the level of security of e-tailers, especially as it relates to protection of payment information. Similarly, consumers may be reluctant to share their personal information, which will be used for ongoing marketing initiatives. While CRM programs, over time, should reduce marketing clutter and allow for customized offers, they can be construed as intrusive and a violation of the customer relationship. If not managed well, concerns around security and privacy can undermine e-tailing efforts.

### Practice Questions

<https://assessments.lumenlearning.co...essments/9159>

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