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# Insights



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## **FBM INSIGHTS**

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# E-COMMERCE ISSUES IN RETAIL INDUSTRY

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## INTRODUCTION

With the introduction of e-commerce, or internet commerce, shopping, formerly limited to brick-and-mortar companies, has taken on a new meaning. E-commerce advancements are critical in defining the retail industry's future. E-commerce has had a profound effect on retail, encouraging merchants to offer a similarly compelling purchasing experience. The best e-commerce practices have infiltrated the retail industry, and most firms already have an online presence or will soon have one. Retailers are taking advantage of modern technology that enables shoppers to examine promoted items from any location and at any time. This contributes to the growth of website traffic and revenues.

There is talk of a global "retail apocalypse" as customers' buying preferences shift away from malls. The research implies that enterprises should rethink their business strategies, by using digital retail, the sector's sole remaining double-digit growth industry. Any activity in which a business sells products or services directly to a consumer for personal or family use is considered retail. The term "retail" has taken on a new meaning because of the digital revolution. It encompasses all operations involving the selling of products and services to clients outside of traditional brick-and-mortar stores. This is the definition of e-commerce, a subset of the retail industry focused on the purchase and selling of products and services via the internet and other kinds of technology (Righini, 2020).

Despite their considerable contribution to the economy, the position of tiny and micro merchants has worsened as customers' purchasing alternatives continue to grow (Morganosky, 1997). They are always competing with larger enterprises and have recently faced increased competition from out-of-town branches built by large merchants. Notably, new electronic competitors are posing a threat to brick-and-mortar businesses by using e-commerce to sell products and services to a local market via the Internet (Vandermerwe, 1999).

Malaysia will be the 40th largest e-commerce market in 2020, ahead of Iran but behind New Zealand, and Malaysia's e-commerce market is to rise by 49 percent by 2020, contributing to the world's 29 percent growth rate. E-commerce sales are continuing to grow. New markets are developing, and established markets have the potential to grow even larger. Global growth will resume in the next few years. With its growing middle socio-economic classes and slow offline retail infrastructure, East and Southeast Asia will be the main drivers behind this development (E-Commerce Market Analysis, n.d).

## **ANALYSIS OF THE ISSUES**

### **1. Streamlining Delivery**

E-influence of commerce on the retail business is a result of the ability to order products online rather than visiting a store and picking them up in person. It's a big convenience to have goods and services delivered right to our doorstep. As a result, well-known firms have been forced to close their retail sites. Almost every major food retailer worldwide is seeking to increase efficiency savings to support price reductions. Due to the prevalence of e-commerce platforms, customers will soon be able to buy the same degree of discount as they did previously.

Tesco was able to save around 1.5 billion pounds on operating expenditures, according to October 2016 reports, through procurement cost savings and effective distribution networks. They aim to save between 3.5 and 4% of expenditures in the 2019-20 fiscal years, a considerable rise over the 2.9 percent they saved in 2017-2018 (Nation Valley News, 2019).

Nowadays, most merchants are concerned with the efficacy of their distribution techniques. Everything is evaluated, from payment convenience to product delivery on time and packing, to guarantee that the retail and e-commerce markets still are balanced. Tesco is not alone; hundreds of enterprises in the retail and e-commerce industries have been under pressure to reduce operating expenses to focus on customer service and enjoyment.

### **2. Retailers' and e-competitiveness commerce's**

In the future, e-commerce platforms will become the new trend, but limited to few industries, such as fashion or electronics. However, worldwide rivalry between retail and e-commerce platforms will continue (Nation Valley News, 2019). They are on the verge of coexisting thanks to their mutual dependence. People discover companies via online purchases, which is why brick-and-mortar businesses are gaining appeal. On the other hand, internet businesses are gaining popularity due to the visibility of the brand. Thus, even if there is news of job cuts, fresh employment prospects will materialise.

### **3. Customer Growth Prospects**

Nonetheless, e-commerce has made it simpler for shops to recruit new consumers, increase communication, manage finances, do further research, and market their brand than ever before, all while generating sales at a lower cost. Customers choose a more convenient purchase technique, which is e-commerce; as a result, their shops have developed into a secondary means of selling their items. Retailers now can sell their items internationally. This has improved the retailing industry's ability to generate income and grow its customer base. As a result, merchants were under pressure as their customer base has grown. They must expect this and develop a cost-effective plan for delivering their products directly to customers through shelf merchandising and the use of reputable distribution centres. Due to its quick expansion, e-commerce has revolutionised the retail sector and proved itself as a mainstream means of consumer selling.

### **4. Technological Implications**

Security issues, internet access, and compliance with existing protocols are among the top technology-related challenges plaguing e-commerce businesses, according to industry observers. One unanticipated consequence of e-commerce's fast development in popularity is that it has become a more appealing target for criminals: greater e-commerce activity results in higher security issues. Additionally, each new high-profile 'hacking' event erodes the customer's confidence in online retail, underscoring the crucial significance of e-commerce security (Rakuten Super Logistics, 2019).

Another risk that has surfaced as e-commerce has grown is the rising concern about the network infrastructure's resiliency. Another technological hurdle is integrating Internet software with legacy programmes and databases; e-commerce technology is constantly evolving, and adding modern technology is not always straightforward or cost effective.

## 5. Social Danger

Concerns about consumer privacy and the sharing of personal information have risen dramatically in recent years (Rakuten Super Logistics, 2019). Additionally, when an e-commerce organisation extends beyond its first geographical footprint, cultural concerns become a consideration. Unlike conventional merchants, who could simply use language and marketing strategies that appealed to their target market, online merchants must consider their larger consumer base's linguistic, cultural, and socioeconomic diversity. Each of these qualities has the potential to sabotage e-commerce businesses' efforts to build long-term 'relationships' with a diverse client base (Rakuten Super Logistics, 2019).

## 6. Legal Consequences

While it may look as though e-commerce has been around for a long length of time, the fact is that it is a relatively young industry with various unsolved legal challenges, the most significant of which is intellectual property rights. Then there are legal considerations regarding taxation: as we previously discussed — and as has been widely reported in the business press in recent months — a recent Supreme Court decision ruling that states can collect online sales taxes on businesses that are not physically located within their borders has the potential to have a significant impact on the bottom lines of e-commerce companies nationwide (Rakuten Super Logistics, 2019). The industry's exceptional success influenced that choice — and governments' readiness to tax e-commerce — and one of the 'downsides' of rising market share is that e-commerce businesses have become a more desirable tax 'target' for states trying to enlarge their tax base.

## CONCLUSION

To summarise, online buying via e-commerce websites is becoming a widespread practice that is inextricably related to the digital era. Everything is available for purchase on the internet. Suppliers support the progressive trend of growing retail locations and, hence, the so-called "face-to-face" engagement with consumers, which can enhance the shopping experience. Both shopping tactics offer few pros and disadvantages that the client must weigh. When compared to brick-and-mortar businesses, e-commerce sites excel in a multitude of areas, including time-consuming purchases, convenience, and rapid comparisons of rivals, product range, and prices. As the worldwide trend suggests, traditional retail shops will continue to struggle to attract customers in the future years, while internet shopping will continue to grow at a breakneck pace.

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