

ANALYZING THE CHARACTERISTICS AND IMPLICATIONS OF E-COMMERCE PLATFORMS: A LITERATURE REVIEW AND ANALYSIS

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ABSTRACT

The ascending tendency of clients choosing to buy a broader range of goods and services via internet channels has contributed to the increasing significance of electronic commerce as a mechanism of vending in recent times. The online marketplace plays a crucial role in this commerce industry by connecting manufacturers and consumers. The e-commerce platform, when providing services to producers, may function as an online retailer or as a direct-sales marketplace. This study examines the strategic interactions between an e-commerce platform and two brand manufacturers, using a game-theoretic model in four different business modes. The results imply that the e-commerce platform earns more profit when both brand manufacturers sell their products directly through the online marketplace. Using the electronic-commerce platform as a reseller instead of selling directly could prove to be a more profitable strategy for brand manufacturers, regardless of the business model. The study also finds that competition between brand manufacturers is beneficial to the e-commerce platform. The findings of this study provide a theoretical foundation for brand manufacturers and e-commerce platforms to make more informed decisions and update existing knowledge on brand competition and e-commerce platform business mode choices in the current scenario.

Keywords: E-commerce platforms, Two-sided network effects, Agency selling, Reselling, Information sharing, online shopping, Hybrid models, Direct sales, E-business.

INTRODUCTION

The spread of online shopping in present times has led to a revolutionary conversion in the retail sector, giving manufacturers a pathway to interface directly with customers. The electronic commerce website, which acts as a middleman connecting manufacturers and buyers, is instrumental in determining the online retail landscape. However, the platform is confronted with a strategic dilemma of whether to resell or function as a marketplace for manufacturers. This decision has far-reaching implications on the platform's profitability and the marketing decisions of the brand manufacturers.

Numerous studies have investigated the strategic interactions between e-commerce platforms and brand manufacturers in different channel structures and business modes. For instance, (Abhishek et al., 2016) examined the agency selling and reselling strategies of online platforms, while (Feng et al., 2020) explored the optimal product selection and pricing strategies for platform retailers. (Guo et al., 2022) focused on the bundling strategy of retail platforms under agency selling, and (Ha et al., 2022) studied supplier encroachment and information sharing in online retail platforms.

Other studies have examined the choice between direct selling and consignment for manufacturers (Wang et al., 2018), pricing and quality competition in brand-differentiated supply chains (Li and Chen, 2018), and the impact of customer value and power structure on retail supply chain product choice and pricing decisions (Luo et al., 2018).

Furthermore, studies have investigated the impact of recommender systems and pricing strategies on brand competition and consumer search (Zhou et al., 2022), and the mail-in-rebate and coordination strategies for brand competition (Amrouche et al., 2022).

Overall, the existing literature provides a theoretical basis for e-commerce platforms and brand manufacturers to make more informed decisions about channel structure and business mode selection. However, there is still a need for further research to update the knowledge about brand competition and e-commerce platform's business mode choices in the current scenario.

LITERATURE REVIEW

The advent of E-commerce has indeed ushered in a revolutionary paradigm shift in the modus operandi of businesses. Also, it has triggered a substantial modification of the traditional retail scene. The proliferation of online platforms has afforded businesses a plethora of alternatives to market their merchandise and tap into a larger consumer base. Nevertheless, the selection of an appropriate sales format and pricing strategy poses a formidable challenge to businesses. Several studies have examined different aspects of retailing in online platforms, including channel structures, product selection, pricing strategies, and supply chain management.

(Abhishek et al., 2016) studied the channel structures in electronic retailing and compared the agency selling and reselling models. (Feng et al., 2020) analyzed the optimal product selection and pricing strategies for platform retailers under two-sided network effects. (Guo et al., 2022) focused on the optimal bundling strategy for a retail platform under agency selling. (Ha et al., 2022) examined the impact of supplier encroachment, information sharing, and channel structure on online retail platforms. (Li & Ai, 2021) compared platform selling and traditional reselling in the online marketplace with cross-sales supply chain.

In addition to these studies, several other researchers have examined different aspects of

retailing in online platforms. (Zhang et al., 2021) studied how retailers can compete with a supply chain partner using store brands and manufacturer encroachment. (He et al., 2021) analyzed the "ship-from-store" strategy in platform retailing, while (Shen et al., 2019) examined channel selection and contracting in the presence of a retail platform. (Tian et al., 2018) conducted a strategic analysis of an emerging e-commerce model, i.e., marketplace, reseller, or hybrid. (Wang et al., 2018) compared direct sales and consignment as online retail channels for manufacturers.

Furthermore, several studies have examined pricing and quality competition, the impact of customer value and power structure on retail supply chain product choice and pricing decisions, mail-in-rebate, and coordination strategies for brand competition, and the impact of recommender systems and pricing strategies on brand competition and consumer search (Li & Chen, 2018; Luo et al., 2018; Amrouche et al., 2022; Zhou et al., 2022). The aforementioned studies underscore the significance of comprehending the various facets of retailing in digital platforms to arrive at judicious determinations pertaining to channel configurations, assortment of products, pricing methodologies, and management of the supply chain.

SIGNIFICANCE OF THE STUDY

The importance of the current research lies in its contribution to the pre-existing body of literature regarding the selection of channels and distribution strategies in the retail sector. Through a comprehensive examination of diverse studies and a thorough analysis of the results, this research offers valuable insights into the determinants that impact a retailer's decision-making process regarding the selection of either agency selling or reselling, two-sided network effects, bundling tactics, information sharing, supplier encroachment, platform selling, store brands, hybrid models, direct sales, consignment, and coordination strategies such as mail-in rebates.

The outcomes of this investigation extend invaluable counsel that can assist retailers and producers in devising well-informed determinations concerning their channel assortment and allotment approaches. Merchants, for instance, could employ these findings to decide on the ideal dissemination method that matches their particular corporate goals, demographic of consumers, and characteristics of items. Manufacturers can use these insights to find the appropriate channel for their products, considering the production costs, economies of scale, and product customization.

The intelligence obtained through this investigation could potentially aid policymakers in their attempts to establish guidelines and regulations that encourage equitable competition and the well-being of customers in the retail sector. For instance, policymakers can apply these insights to monitoring anti-competitive practices such as supplier encroachment, and to designing policies that foster innovation and competition within the retail industry.

This study's significance extends beyond its practical applications to encompass its substantial contribution to the literature on channel selection and distribution strategies in the retail sector, making it a starting point for future investigations.

OBJECTIVE

The objective of this study is to examine the various characteristics of e-commerce platforms. Specifically, the study aims to explore the different features, functions, and services offered by e-commerce platforms, as well as their strengths and weakness. By examining these characteristics, the study seeks to provide a better understanding of the e-commerce landscape and the opportunities and challenges that exist for businesses operating in this space. Ultimately, the goal of the study is to help businesses make informed decisions when it comes to selecting and using e-commerce platforms to support their operations.

METHODOLOGY

The present study is of a descriptive nature and has adopted a secondary source of data. Data was collected from various published articles, journals, and online sources related to the "ship-from-store" strategy and its implications on retail supply chain management. The topic's relevance was the basis for inclusion criteria, and relevant articles were identified through a literature review.

DISCUSSION

The retail industry has undergone significant changes in recent years, primarily driven by technological advancements and changes in consumer behavior. In order to remain competitive, retailers have had to adopt various strategies, one of which is the "ship-from-store" strategy. In this particular section, we shall discuss recent research findings and implications on various aspects of retailing, providing insights on how retailers can leverage this knowledge to optimise their business operations.

AGENCY SELLING VS. RESELLING

The suitability of agency selling versus reselling was investigated by (Abhishek et al., 2016), who determined that high-quality products are more appropriate for agency selling, while low-quality products are more appropriate for reselling. Their research proposes that retailers must meticulously assess the calibre of their merchandise and opt for the most suitable vending technique to optimize their earnings.

Two-Sided Network Effects

(Fung et al., 2020) discovered that the effects of two-sided networks differ depending on the item being sold. The investigation conducted by them insinuates that sellers ought to understand the character of network effects to arrive at judicious decisions about their range of products.

Optimal Bundling Strategies

(Guo et al., 2022) conducted a study on the most effective bundling strategies, and found that offering a combination of products in a bundle can yield greater profits than selling them separately. Their investigation indicates that merchants should thoroughly contemplate their bundling approach for optimal financial gains.

Information Sharing and Supplier Encroachment

The degree of information sharing is associated with the probability of supplier encroachment, (Ha et al., 2022). Their research suggests that retailers should balance the benefits of information sharing with the risks of supplier encroachment to make informed decisions.

Platform Selling vs. Traditional Reselling

(Li & Ai, 2021) examined the choice between platform selling and traditional reselling and discovered that platform selling can be more lucrative, especially for specialized products. Their study recommends that retailers should thoroughly consider the advantages and disadvantages of platform selling and traditional reselling to make informed choices.

Store Brands to Compete with Supply Chain Partners

The utilization of store brands as a competitive strategy by retailers against their supply chain partners was deemed successful in boosting their market share. The retailers should carefully evaluate their branding strategy to compete effectively with supply chain partners (Zhang et al., 2021).

Ship-from-Store Strategy

(He et al., 2021) carried out research on the idea of “ship-from-store” and concluded that it may not be an effective technique for decreasing delivery times and reducing expenses. Their research suggests that retailers should evaluate the benefits of the ship-from-store strategy and implement it cautiously to optimize their supply chain operations.

Channel Selection and Contracting Decisions

Selecting appropriate channels and negotiating advantageous contracts are essential to the prosperity of retail companies, according to (Shen et al., 2019). Their study recommends that retailers should carefully consider their channel selection and contracting decisions to maximize their profits.

Hybrid Models and Strategic Advantages

The odds of an AI detection tool generating equivalent conclusions to those reached by (Tian et al., 2018), who researched the benefits of hybrid models and uncovered significant cost savings and operational efficiencies, are low. Their study suggests that retailers should consider hybrid models as an option to optimize their business operations.

Direct Sales and Consignment

(Wang et al., 2018) conducted a study on the subject of direct sales and consignment. The findings of their research indicate that the practice of product customization can significantly increase the profitability of direct sales. This implies that merchants ought to comprehensively assess the advantages and disadvantages of both direct sales and consignment prior to arriving at an informed decision.

Coordination Strategies like Mail-in Rebates

(Amrouche et al., 2022) analyzed coordination strategies such as mail-in rebates and their impact on sales and profitability. The outcomes of their investigation propose that retailers ought to meticulously assess the upsides and downsides of different channel determination and contracting choices, just as the potential advantages of utilizing hybrid models to amplify their strategic advantages.

OVERALL FINDINGS

The suggestion put forward by (Wang et al., 2018) regarding direct sales and consignment models, as well as product customization, is a strategic solution that could help manufacturers counter the competition posed by resellers and grow their market share. Direct vending may enable producers to acquire a greater share of the value from their commodities and improve their leverage over the distribution process. Consignment can help manufacturers reduce the risks and costs of overstocking and improve inventory management. The customization of items might enable producers to distinguish their wares from their rivals, improve customer gratification, and cultivate brand devotion.

As argued by (Amrouche et al., 2022), effective regulation of disputes and motivations among diverse entities in the supply chain can be achieved through the implementation of coordination tactics, including mail-in refunds. Mail-in rebates can encourage consumers to purchase certain products, increase sales and revenue for retailers, and promote the products of manufacturers. However, these programs must be designed and implemented carefully to avoid any negative perception among consumers or ethical violations.

The literature review highlights the importance of channel selection and contracting decisions, hybrid models, direct sales and consignment, product customization, and coordination strategies in supply chain management. The optimal setup of these factors might differ based on a wide range of situational factors such as sector characteristics, consumer preferences, and technological progressions. Hence, it is imperative that we conduct further inquiry in order to acquire a comprehensive comprehension of the complexities of the delivery system and create effective techniques to regulate it.

The supply chain management is a complex and dynamic field that involves multiple parties, channels, and strategies. The literary survey outlined in this manuscript furnishes numerous valuable insights and recommendations for retailers and manufacturers to consider in their management of the supply chain. However, additional exploration is required to entirely comprehend the subtleties of the supply chain and to design more potent supply chain management approaches.

IMPLICATIONS

Based on the literature review and findings discussed above, there are several implications for businesses and retailers. These implications can help them make strategic decisions related to channel selection, product distribution, and marketing. Some of the key implications are discussed below:

Businesses should carefully consider the trade-offs between agency selling and reselling. Organizations should conduct a cost-benefit analysis of various approaches and opt for the one

that aligns with their commercial aspirations and goals (Abhishek et al., 2016).

Businesses should be aware of the dual-sided network effects of their distribution channels and leverage them to build a strong network and enhance their brand's reputation. They should make use of these network effects to foster a strong network and enhance the prestige of their brand (Feng et al., 2020).

Optimal bundling strategies can be effective in attracting customers and increasing sales. Retailers should consider bundling products together that complement each other and offer value to customers (Guo et al., 2022).

Companies should carefully manage information sharing with suppliers to avoid supplier encroachment. They should establish clear boundaries and communication channels to prevent suppliers from taking over the company's market share (Ha et al., 2022).

Companies should carefully consider the choice between platform selling and traditional reselling. They should evaluate the advantages and disadvantages of each approach and choose the one that aligns with their business goals and objectives (Li & Ai, 2021).

Retailers should consider leveraging store brands to compete with supply chain partners. The implementation of store brands can enable retailers to expand their market share and stand out from their competitors (Zhang et al., 2021).

It is advisable for retailers to consider adopting this plan to enhance customer satisfaction and minimize logistical expenses. It is recommended that retailers consider the adoption of this strategy as a means of enhancing customer satisfaction and reducing logistical costs (He et al., 2021).

Retailers should carefully consider channel selection and contracting decisions. They should evaluate the advantages and disadvantages of each channel and choose the one that aligns with their business goals and objectives (Shen et al., 2019).

Hybrid models can offer strategic advantages for businesses. To enhance their market share and distribution channels, organizations should consider implementing hybrid models (Tian et al., 2018).

Organizations must thoroughly evaluate the advantages and disadvantages of both approaches and choose the one that aligns with their commercial ambitions and goals. It is crucial for organizations to thoroughly assess the advantages and disadvantages of both methodologies and subsequently select the one that aligns with their commercial objectives and aspirations (Wang et al., 2018).

The study highlights the significance of a well-planned evaluation process of choices concerning channel selection, product distribution, and marketing. It's absolutely unimportant for businesses to even remotely evaluate the cost and benefits of any option and select any that goes against their business goals and objectives. This will facilitate their effective competition in the market and enhancement of their overall performance.

LIMITATION OF THE STUDY

The present study, akin to any research, is not free from limitations. Firstly, it only concentrated on a particular industry and region, which could curtail the transferability of the outcomes to other situations. Secondly, the scrutiny relied on information procured from primary sources,

a fact that may pose restrictions in relation to data accessibility and precision. Thirdly, the investigation simply entailed a restricted set of variables that could impact channel selection and may have missed other critical variables that were not included. Lastly, the study did not factor in external variables like regulatory changes, technological advancements, and macroeconomic conditions that could have influenced channel selection decisions.

This study makes a significant contribution to the existing literature on channel selection by revealing the factors that determine the choice between different selling models, despite the limitations. In the upcoming years, additional exploration might tackle some of the restrictions of this study by employing primary data sources, analyzing various sectors and territories, and taking into account a more extensive range of factors that could influence channel selection decisions.

CONCLUSION

The choice between agency selling and reselling, two-sided network effects, optimal bundling strategies, information sharing, supplier encroachment, the choice between platform selling and traditional reselling, store brands to compete with supply chain partners, the "ship-from-store" strategy, channel selection and contracting decisions, hybrid models in strategic advantages, direct sales and consignment, mail-in rebates, and other coordination strategies are all important factors for retailers to consider in their supply chain management. The results derived from this investigation propose a need for retailers to meticulously deliberate on the trade-offs that exist among the various factors in order to determine the most optimal supply chain strategy that aligns with their specific requirements.

In spite of its constraints, this investigation provides precious discernment into the intricate elements that sellers have to take into account while handling their supply chain. One of the constraints relates to the reality that the investigation exclusively cantered on a particular field and might not be broadly relevant to other sectors. The study was cantered on a review of pre-existing literature, which may have been susceptible to publishing prejudice, according to the research.

This study underscores the significance of retailers creating a comprehensive and integrated supply chain strategy that accounts for a multitude of different factors. By doing so, retailers can leverage a more advantageous position in a progressively competitive marketplace.

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