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# E-commerce: SMEs and electronic retailing (the B2C model): e-tailing the way forward: case study - Kouross Fashions Ltd

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SUBJECT: E-COMMERCE

SMEs and ELECTRONIC RETAILING (THE B2C MODEL)

ENTITLED

E-TAILING THE WAY FORWARD:

CASE STUDY - KOUROSS FASHIONS LTD

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The Degree of

MBA

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## ABSTRACT

As globalization of the business world unfolds, competition is dominated to the global economic marketplace, making a business objective more difficult to accomplish. Therefore the companies are seeking for strategies in order to enter this game, known as competition.

Due to this merge of national economies and industries into one global, independent marketplace, businesses are competing on a global level. This shift in the business world, led to the increase of mergers and acquisitions, takeovers and to the rapid revolution of e-commerce.

This project is designed to analyse and examine how SMEs can adapt e-commerce which in turn helps them to compete on a global level, with reference to the case study and apparel e-tailing. The project hopes to provide an understanding of the benefits of electronic retailing especially in the clothes industry towards SMEs such as Kouross Fashions Ltd.

The following report targets to acknowledge readers with the features and importance of e-commerce, highlighting the B2C e-commerce business model **e-tailing**, and from the case study research on a small apparel retailer (Kouross Fashions Ltd), try to understand their attitude towards e-commerce and try to provide recognition of e-commerce benefits to an SME, so ~~mat~~ *that* the business rethinks implementation of e-commerce solutions.

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# INTRODUCTION

## CHAPTER ONE

### 1. Overview

#### 1.1 Motivation

The motivation of this study is based on the most important change made in all consumers' lives, a move to an Internet-based cashless society. The number of internet users is constantly increasing due to (the fact of globalization and cell phones used to access the Internet. The most sales conducted online are mostly physical products instead of services and digitized products. An interest was raised on my behalf towards apparel e-tailing and the evolution of product visualization tools that will help increase clothing sales in the future of e-commerce.

The following inspiring article of the financial times from Guy Salter and Victoria Bracewell entitled "Web remains a world away for big brands" states that:

*"Web commerce may be well into its second decade, but as few as a third of global luxury brands are selling online and half of those who currently do not sell*

*online have no plans to do so .....The firms surveyed that do sell*

*report booming business, on average expecting their e-commerce sales to grow 17 per cent this year and 111 per cent over the next five years, representing 22 per cent of sales from all channels by then. The key to their success is delivering a superior online customer experience. For example, Fortnum & Mason, Harrods, and pure-play online retailers such as Wrapit and Cool Diamonds, have integrated shopping experiences across all their channels, and offer features such as live customer support and name recognition for repeat customers. These businesses know that today's affluent*

*customers are motivated by convenience, product choice, and speed of shopping and ordering when online.”*

Source : “ <http://www.ft.com>”

Small and medium sized enterprises are also most likely to be the last entities to adopt new technology and invest in a sophisticated e-commerce solution. Baring in mind the clothe industry, future online success will most likely depend on the strength of websites as brands themselves, providing an opportunity to small clothe retailers to gain a position in the online market. The main motive that underlines the project reflects on the opportunity for SMEs with low brand recognition, to be able to compete on the World Wide Web with larger enterprises and gain a position in the online market from a successful e-commerce implementation. That is the reason for the case study conducted for Kouross Fashion ltd a small retailer selling luxury apparel brands.

## **1.2 Purpose of this project**

The purpose of this project is to engage theory of e-commerce and the world of practice and to identify the importance of e-tailing for businesses especially SMEs in the clothe industry.

Kouross Fashions ltd is a small enterprise operating in the Cyprus clothing market. The business objective is to expand throughout Europe starting from Greece due to similarities of consumer language, customs and ethics. The business does not consider Internet or the World Wide Web as a way to expand and approach global consumers. Instead they consider it to be a waste of time and not relevant to the business or to the business' consumers.

The underlying purpose of this research is to examine SMEs in general and more specifically Kouross Fashions ltd attitude towards e-commerce, establish an understanding of the benefits and limitations of e-commerce especially e-tailing, and provide an acknowledgement to the small retailer of the features surrounding e-commerce and the opportunities missed when not implementing electronic transactions.

### **1.3 Organizations' history and background (Kouross Fashions)**

Kouross Fashions is a small enterprise operating as a clothes retailer in Cyprus. The business sells mainly suits and clothes for good occasions from only well-known brands such as Versace, CLASS Roberto Cavalli and so on. Kouross's customers are predominantly male oriented consumers with a high share of wallets or newlyweds willing to buy high quality clothes. The business is very successful in the Cyprus market, having branches in all the cities, but the real question is can it be successful through the World Wide Web, and compete on a global scale.

### **1.4 Research Aims and Objectives**

#### **Aims**

- To engage theory of e-commerce and the world of practice
- To develop an understanding of e-tailing and its opportunities to SMEs

#### **Objectives**

- To conduct a case study research on Kouross Fashions Ltd. for the understanding of a small retailers beliefs towards e-commerce.
- To provide Kouross Fashion ltd. and readers with an acknowledgment of the importance of e-commerce today and its benefits for business.

### **1.5 Report Outline - Route map (explaining chapters)**

## LITERATURE REVIEW

### **1. Chapter 2: E-commerce**

This Chapter defines e-commerce, e-business, e-marketplaces and e-strategy to provide an understanding of the principles surrounding e-commerce, the different business models used, and the importance of an e-strategy.

### **2. Chapter 3: Electronic Retailing**

This Chapter defines e-tailing, providing information about the revolution of the e-commerce business model, Business to Consumer (B2C). The Chapter highlights the differences between retailing and electronic retailing, the reason for lack of apparel e-tailing sales, success factors for e-tailing and the importance of e-tailing for SMEs and Kouross Fashion Ltd.

### **3. Chapter 4: Small and Medium Enterprises SMEs**

This Chapter defines SMEs, explaining their attitudes and constraints towards e-commerce and the importance of implementing electronic transactions and competing in the World Wide Web.

## RESEARCH METHODOLOGY ANALYSIS AND FINDINGS

### **4. Chapter 5: Methodology**

This Chapter explains the research strategy chosen for the project, defining questionnaires and their limitations, how the interviews were conducted and with what purpose. The method chose to conduct the research is also highlighted with an explaining of the design of the interviews and questionnaires and what was the objective needed to achieve from the research.

### **5. Chapter 6: Analysis and Findings**

This chapter shows the research findings and analysis, stating the results obtained from the interviews and questionnaires and explaining the answers from the respondents for the understanding of the reader.

### **6. Chapter 7: Conclusion and Recommendations**

To conclude recommendations are made for the need of Kouross Fashions Ltd. Implementation of e-commerce and the introduction of the product visualization too (virtual model) with some explanation of the benefits to apparel retailers and apparel online sales in the future. Plus a conclusion is stated to close the project and research made.

In the Appendices section pictures are shown of the virtual model with an article quoted in regards to the evolution of this technology. Plus the exact transcript of the interviews, the questionnaire and the excel analysis is shown in the Appendices alongside the research proposal

LITERATURE REVIEW





## CHAPTER TWO

### 2. E-commerce

#### 2.1 E-commerce features and definition

Back in the late 90's most e-commerce adopted companies failed because e-commerce was a brand new field in which they were entering and was still on the process of developing the right foundations for implementing business processes through computer networks. The main reason which e-commerce is still in the development process is because of the many disciplines which underline the sector. More recent EC companies have been more successful because of the better understanding of the specific disciplines underlining their business. Predictions from Jupiter Media, Emarketer.com and Forrester have shown that future EC size is predicted to grow especially in the retail sector since by 2010 71 percent of users of the Internet will use the online market to shop and retail spending will increase from \$88 billion in 2005 to \$144 billion in 2010. As Turban (2008) states:

*"EC growth will come not only from B2C but also from B2B and from newer applications such as e-government, e-learning, B2E, and c-commerce. Overall the growth in the field will continue to be strong into the foreseeable future". (Turban 2008 pp 13)*

*"E-commerce is the process of buying, selling, transferring, or exchanging products, services, and/or information via computer networks, including the Internet". (Turban 2008, pp 6)*

As cited in Dave Chaffey's book of "E-business and E-commerce Management" (2004):

*Kalakota and Whinston (1997) refer to a range of different perspectives for e-commerce:*

- 1. A communication perspective: the delivery of information, products/services or payment by electronic means.*
- 2. A business process perspective: the application of technology towards the automation*

- of business transactions and workflows.*
3. *A service perspective: enabling cost cutting at the same time as increasing the speed and quality of service quality.*
  4. *An online perspective: the buying and selling of products and information online.*

(Dave Chaffey 2004, pp 7).

Electronic commerce is known by many as a narrow term so they mostly use e-business as a broader meaning.

*“E-business is a broader definition of e-commerce that includes not just the buying and selling of goods and services, but also servicing customers, collaborating with business partners, and conducting electronic transactions within an organization”* (Turban 2008, pp 6).

Many efforts were made to distinguish the difference and separate e-commerce and e-business concepts due to marketing motives, but this can be misleading and can distract us from the business objectives at hand. We must never forget that e-commerce is a means to an end and the clear objectives are to improve business operations and exploit unique business propositions, mainly focusing the online world. E-commerce shares a variety of names and definitions, but we must bear in mind that these vague definitions are there to help our thinking open and exploit the number of opportunities presented.

E-commerce has had a huge success on the Internet when referring to shopping through online stores on the World Wide Web, also known as e-commerce websites. Although the Internet has enabled a new era of business, e-commerce, many organizations find it difficult to move towards the change to a digital era of business. Businesses that don't take decisive action to change their business models towards the digital era will find it difficult to compete against the already transformed businesses and will probably find themselves at a distinct disadvantage.

The nature of the transactions or interactions of e-commerce classify the types of e-commerce. The types of e-commerce analysed are only the ones concerned to the project and most commonly distinguished.

**B2B Business-to-Business** e-commerce involves transactions between businesses, with all of the participants being businesses or other organizations. Examples include businesses specialized in advertising, internet consultants, website development etc....."Several of Dell's and Marks and Spencer's applications involve B2B with their suppliers." (Turban 2008 pp8)

*"Business to Consumer (B2C) EC includes retail transactions of products from businesses to individual shoppers. The typical shopper at Dell online or at Amazon.com is a consumer or customer. This EC type is also called e-tailing"* (Turban 2008 pp8).

*"Business-to-Business-to-consumer (B2B2C) EC, a business provides some product or service to a client business. The client business maintains its own customer, who may be its own employees, to whom the product or service is provided without adding any value to it example is wholesaler-to-retailer-to-consumer merchandising, such as airlines and travel units that provide travel services, such as airline tickets and hotel rooms, to business partners, such as travel agencies, who then sell the services to customers"* (Turban, 2008, pp 8).

The B2C market is increasing rapidly worldwide, that is why the projects underline the specific e-commerce business model. The following chart shows the rapid and expected growth of B2C E-commerce in the UK from 2007 to 2012 as shown in e-marketer.

Figure 1

<b>B2C E-Commerce: UK, 2007-2012</b>						
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>B2C e-commerce sales* (billions)</b>						
£	£46.6	£59.8	£68.4	£78.5	£86.4	£94.2
\$	\$93.2	\$116.6	\$127.9	\$146.8	\$159.8	\$169.6
% change (based on £ figures)	54.3%	28.3%	14.4%	14.8%	10.1%	9.0%
<b>Online buyers** (millions)</b>						
Internet users ages 14+	34.3	35.8	37.1	38.4	39.6	40.8
Online buyers ages 14+	26.2	27.4	28.6	29.7	30.9	32.2
Online buyers % of Internet users	76.3%	76.6%	77.0%	77.5%	78.1%	78.8%
<b>Average annual amount spent online per online buyer</b>						
£	£1,779	£2,183	£2,394	£2,641	£2,796	£2,926
\$	\$3,558	\$4,256	\$4,476	\$4,938	\$5,172	\$5,268
<i>Note: converted at average annual exchange rates (projected for future years); *includes travel, event ticket and digital download sales; **Internet users who have made at least one purchase online in the past year</i>						
<i>Source: eMarketer, September 2008</i>						
097309			www.eMarketer.com			

## 2.2 E-marketplaces

According to Bakos (1998), "electronic markets play a central role in the economy, facilitating the exchange of information, goods, services, and payments. In the process they create economic value for buyers, sellers, market intermediaries and for society at large" (Turban, 2008, pp 44).

"The functions of an e-market are the same as that of a physical marketplace; however computerized systems tend to make markets much more efficient by providing more updated information to buyers and sellers" (Turban, 2008, pp 44).

Joining a marketplace can provide many benefits such as lowering costs from making transactions with computerization of standard business procedures. Better opportunities provided for suppliers and buyers, either within their supply chain or across supply chains, to make new trading partnerships. An e-marketplace enables access to global markets and the ability for more transparent pricing since buyers and sellers are able to trade in a more open environment. Plus enabling the opportunity to access value added services such as

distributions processes using electronic systems, inventory control and management of dispatch.

## 2.3 E-strategy

### 2.3.1 Overview

Paul Philips (2003) book of e-business strategy states that *"the Internet has not changed the fundamentals of business and corporate strategy, as the essence of commercial business is still the generation of value by offerings to customers"* (Paul Philips 2003, pp 93).

Strategy is crucial for any business operating online or offline since it summarizes the overall objectives and determines how they will be achieved. Strategy can be regarded as the big picture, fail to get it right all the hard work goes wasted. This section highlights the importance of strategy and the need when implementing e-commerce.

### 2.3.2 E-strategy defined

The following definition of strategy was quoted from Jim Milligan's book on Strategic Management.

*"Perhaps the definition of strategy that is most common in the field is that attributed to the renowned Harvard business historian Alfred D. Chandler in his landmark book Strategy and Structure. The Chandler (1963) definition characterizes strategy as: 'the determination of the basic long term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these goals'"* (Jim Milligan, pp 7).

E-commerce strategy or otherwise known as e-strategy can be defined as the determination and execution of the set objectives of an organization as to how it intends to conduct business online.

*"Strategy guru Michael Porter (2001) argues that a coherent organizational strategy that includes the Internet is more important than ever before: Many have argued that the Internet renders strategy obsolete. In reality the opposite is true it is... more important than ever for companies to distinguish themselves through strategy. The winners will be those that view the Internet as a complement to, not cannibal of, traditional ways of competing" (Turban, 2008, pp 640).*

When developing an e-business strategy an acknowledgement of the difference between the online and offline benefits provided to the consumer must be made. Due to the increased competition in the online market and the consumers lack of trust for online transaction, businesses online need to provide more benefits to consumers to per sway them to shop online.

As cited in Paul Phillips book of E-business Strategy (2003)

*"Rayport and Jaworski (2001) postulate that senior management must complete three sequential tasks when considering an online offering ":*

- *Identify the scope of the offering.*
- *Identify the customer decision process.*
- *Map the offering to the consumer decision offer.*

(Paul Philips, 2003, pp 97).

When analysing the web environment Michael Porters five forces framework can be used to determine and shape e-commerce strategy.

## PORTER'S FIVE FORCES THAT SHAPE INDUSTRY COMPETITION

Figure 2



According to Paul Phillips (2003) there are three strategic options available, defender, attacker and reaction. The strategic option Kouross Fashion should undertake when implementing e-commerce is the attacker, since this type of strategy refers to pioneers of the Internet, businesses adapting new ways to embrace the Internet (i.e. try on virtual model).

The following information regarding a survey of 30 European e-commerce companies for strategies regarding value creation in e-commerce comes from Paul Phillips book of E-business Strategy (2003).

*In their survey of 30 European e-commerce companies, Zott, Amit, and Donlevy (2000) identified two main strategies for value creation for e-commerce. These are the efficiency of the business model and the degree that the business model creates stickiness. In their case analysis, Zott, Amit and Donlevy (2000) observed that companies within their sample were able to enhance transaction efficiency by:*

- *Improving the supply chain by reducing supplier cost and integrating vertically*
- *Providing a broad product and service range*
- *Simple transactions for the consumer*
- *Quickening the process and providing the consumer with greater time*
- *Reducing the asymmetry of information knowledge among member of the supply chain*

*In addition, Zott, Amit and Donlevy (2000) identified some effective means by which their sample created stickiness. These include:*

- *Reward customers for loyalty.*
- *Personalise the product or service offering.*
- *Create virtual communities.*
- *Develop ways of building trust.”*

(Paul Philips 2003, pp 108)

### 2.3.3 Strategic planning

Strategic planning is the whole process of defining the direction of the organization in the future to establish an outcome meeting the desired goals and objective of the business. It is vital for any business implementation of e-commerce. Whatever the business size and orientation the strategic planning process is essential for the understanding of the business.



## CHAPTER THREE

### 3. Electronic Retailing (E-tailing)

#### 3.1 Overview

E-tailing is an evolving e-commerce business model. This chapter presents an overview of e-tailing with its prospects, diversity, and limitations. As an excellent example, entrepreneur Jeff Bezos started Amazon in 1995 when he <sup>saw</sup> ~~seen~~ the amazing potential for retail sales over the Internet and decided to sell books as he found the most logical physical product for sale at the time. The rise in e-tailing is definitely expected since consumers realized the overcoming benefits acquired from online shopping. ✓

Rory Cellan-Jones, a BBC journalist, edited an article on the 13 of January 2009, titled E-tailing- has the revolution arrived?

*“Two sets of figure out today confirmed what I'd expected-that amidst all the economic gloom, online retailing continued to boom at Christmas.....traffic to the top ten UK retail websites was up by 37% in the last quarter of 2008 compared to the previous year..... "Worst December in Survey's History," was the headline on the press release, and it's obvious that the high street had a pretty miserable Christmas. But right at the end was this line: "Non-food non-store sales in December were 30.0% higher than a year ago." That means online retailing to you and me, and it's a far better performance than was predicted, even by the online retailing industry.....*

*Whatever the true figure, two things are clear - online spending is growing rapidly, while high street spending is shrinking. Back in the late 90s the dotcom evangelists told us that online start-ups would crush the dinosaurs of retailing and leave the*

shopping malls and high streets deserted. That didn't happen - but a decade later the online retail revolution is finally happening.

“Source: “<http://www.bbc.co.uk>”

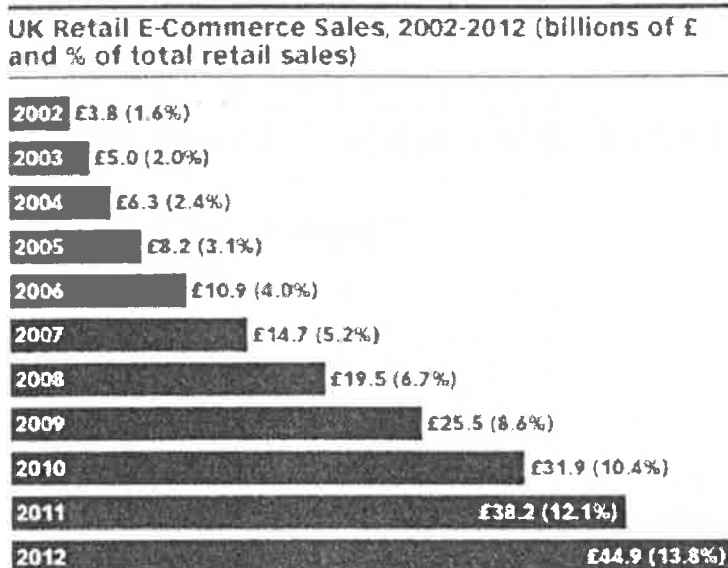
### 3.2 E-tailing defined

“A retailer is a sales intermediary, a seller that operates between manufactures and customers. Even though many manufactures sell directly to consumers, they supplement their sales through wholesalers and retailers (a multichannel approach)

Retailing conducted over the Internet is called electronic retailing, or e-tailing, and those who conduct retail business online are called e-tailers” (Turban, 2008, pp 93).An article of digital marketing news titled "UK retailers pin hopes on internet”

“Retail e-commerce sales in the UK are predicted to reach £44.9 billion (\$80.8 billion) in 2012, up from £19.5 billion (\$38 billion) in 2008, according to Verdict Research data cited in Internet Retailing”.

Figure 3



Note: excludes airline travel, tickets and insurance  
Source: Verdict Research, "UK e-Retail 2008" as cited by Internet Retailing, July 2008

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www.eMarketer.com

*EMarketer estimates that B2C e-commerce in the UK will reach £94.2 billion (\$169.6 billion) in 2012, up from £59.8 billion (\$116.6 billion) in 2008".*

*Source: 'http://digital-marketins-news.netaffinity.Com'*

According to Enid Buns' article on "Online Customer Satisfaction Improves despite Economy", although there is a Down term in global economy consumer satisfaction towards online retailers has improved.

*"A retailer's ability to keep consumer's happy is what gives it the edge in today's volatile economy ..... The satisfaction index increased 1 percentage point since the 2007 report, to 75 percent. "A lot of companies had increases in satisfaction, and very few had decreases, that's very good news, " said Larry Freed, chief executive of Foresee Results, a firm that offers an online customer satisfaction measurement and management tool. Four major components drive satisfaction: price, merchandise, availability of products, and brand. Price is thought by some to be a factor, in a down economy. However, other factors supersede the dollar.....*

*"Most companies are slow to react. "Investment in customer satisfaction goes a long way, especially in a tough economy, said Freed. 'Satisfaction matters and it's what's going to drive financial success. A dissatisfied consumer becomes a liability. Not only are they not going to purchase from you again, they may go out there and say bad things about you. Focusing on satisfying a customer is going to pay off for retailers".*

*Source: 'http://www.clickz.com'*

### 3.3 Retailing vs. E-tailing

Retailing is a business model well known and a widely understood practice. E-tailing however, is substantially different, although many fail to realize. The main difference of Retailing with E-tailing is the consumer shopping experience, which is entirely different online than in a retail store. Consumer's shopping in physical retail stores is either assisted by

a salesperson or do-it-yourself (DIY) policy. Goods are paid and received at the same time of the purchase, whereas in the e-tailing model, functions of the business are more similar with catalogue mail order sales. Consumers have less assistance when shopping on the online store, they pay only by credit card and the product is shipped to them via postal or parcel courier.

Retail stores provide consumers the ability to see and feel the products before buying them, make their judgment through the provided information of the staff or they read the product information while physically touching it. In contrast, online stores only enable the shopper to look at the pictures and read the product's information. Successful online stores however, can provide more product information than a retailer can, and the enriched information of the product can cover the absence of the salesperson. Some e-tailers provide a live chat between consumers and the business or instant phone calls to answer the shoppers' demands. Retailers share the advantage of allowing the consumer to personally examine the product before buying it (i.e. apparel clothing), and online stores are in need of making efforts to satisfy consumer demands and may face expensive product return after delivery. The emergence of the virtual model and trying on clothing online might change the whole idea of online shopping as we know it. Providing consumers the ability to try clothes online on a virtual model similar to their bone structure and their characteristics will change their beliefs of online shopping, (see APPENDIX E).

The main competition retail stores face is basically other stores within driving distance and the number of competing stores is to some extent finite. On the other hand the online retail stores competition can be seen as somehow infinite due to the fact that geographic barriers bring no limitation to shoppers. The competition online is indeed overwhelming, and an online store is forced to compete with similar stores not only locally but globally as well. Baring this in mind it seems impossible to be noticed since store's position in search engines such as Google will be probably buried below the most powerful businesses of the industry. Although the competition is great, the market is still absolutely huge, and businesses must realize the great strength of the enormity of the Internet. Good marketing strategies for retailers can increase local consumers and increase profit, but good internet marketing strategies could increase worldwide consumers and profits earned can be massive. Although

online competition is considered to be intense, most of the competition is flaccid. Due to the fact that this is still an evolving sector of business, organizations competing online fail to understand that the process of online success is a process of constant adaption of technology development and marketing initiatives. Most online businesses storefronts do not provide a true and fair view of the business brand image and representatives, and are launched without clearly understanding the underlying features of a successful website. Meaning that "the lights are on but nobody is home" and most storeowners share more attention to their offline stores and neglects their websites. If an entrepreneurial business works smart with clear objectives and understanding of the online market and its consumers it will gradually obtain a substantial piece of the market despite competition.

Compared to a retail store, start-up costs are much cheaper for e-tailing due to the lack of need for furnishing, lease costs etc. Staff costs vary between the retail industries; however sales clerks typically get paid low wages. Online retailers have the opportunity to outsource to virtual workers in low-wage areas, but virtual workers share computer skills and equipment that encourages them to demand higher wages. Although e-tailers don't need cashiers because shoppers complete their transactions by themselves, they still need customer services in order to stay competitive.

A typical retail store requires space for inventory displayed(showroom) to consumers and most retailers try to attract drive-by or walk-by customers and require a store in a main road or a commercial zone and thus having high lease costs or high buying costs. A typical e-tail store can occupy space with fewer expenses due to the fact that an online retail store can be launched even through a garage (i.e. Jeff Bezos, Amazon) and save an important overhead. Although there are differences between retail and e-tail stores there is still the need for inventory space for e-tailers.

There are different ways e-tailers manage their inventory with the most common being the following four:

- 1) Amazon's original method was buying the products from a local distributor and then packaging and shipping was done by the business. This allows the business to prevent having capital tied up in inventory and unneeded space but the clear disadvantage is that the business is dependent on the distributor's supplies and thus unable to provide shoppers with information about the availability of the product before buying it.

- 2) Amazon's current method and most typical e-tail approach is warehouse inventory. Capital is tied up in inventory and warehouse space and thus making the approach expensive. However customer service is at its best since shipping and inventory records are kept in-house.
- 3) Some e-tailers use 'drop-shipping' and collaborate with manufacturers and send the consumers order straight to the supplier and the distributor will send it to the consumer using the e-tailers labels. Although this enables the e-tailer to save capital investing in warehouse space and inventory it increases the normal wholesale price of the product, thus reducing e-tailers margin. Plus there usually isn't sufficient information and communication between e-tailer and supplier and this can cause problems in the customer service.
- 4) E-tailers dealing with unique products and share higher profit margins will be best to use 'fulfilment houses' since product fulfilment is done more efficiently. Businesses specialized in 'fulfilment houses' provide a customer call centre, shipping services to consumers, and warehouse inventory ordering. This helps a business to focus on other important aspects such as marketing and leave the product fulfilment to the professionals. This can only be done with unique products that share big profit margins since commodities can't pay for fulfilment services.

Fulfilment costs differ between retailers and e-tailers, with retailers' product fulfilment being stocked shelves real shopping carts and plastic bags where the shoppers carry their purchased products, and e-tailers product fulfilment costs include shipping costs, packaging, order tracking and shipping department.

In contrast to the retailers, e-tailers seem to neglect customer service. Customer trust is a key feature of a successful business and since online consumers are usually difficult to obtain, an online business must assure a good customer service to retain existing customers. Large retailing stores usually have a customer service desk where consumer inquiries are dealt with whereas a small retailing store has its existing employees (cashiers) dealing with inquires. Online retailers, especially small businesses have yet to take customer service seriously and if

the main drivers of the business, the consumers, are not properly dealt with and are not satisfied from the service, will probably take their money to the next business willing to deal with them. Successful e-tailers provide a contact telephone, e-mail or even a live chat, so that consumers' queries about the product or service are answered.

*Customer acquisition involves techniques used to form relationships with new customers to*

*..... achieve an online sale In order for online and offline marketing communication techniques*

*to be effective we also need to understand the differences in communications between the old media and new media and the way customer behaves online ( Dave Chaffey 2004 pp 368).*

The customer acquisition cost is based on the cost spent by an organization for advertising, divided by the number of new customers obtained from the money spent. Although customer acquisition cost is important for both, retailers and e-tailers, online retailers should be more concerned surrounding this figure because of the fact that it is relatively higher than normal retailers. E-tailers who promote their products and services regularly will lose money if the target customers only purchase once from the website. The only way to cover promotional expenditure is by retaining the target customers', earning their trust and making them conduct transactions with the business repeatedly.

*Customer retention refers to the actions an organization takes to retain existing customers (Dave Chaffey, 2004, pp 368).*

*A clear, distinctive site design will be retained in the customer's mind, perhaps prompting a repeat visit when the customer thinks, 'where did I see that information?' and then recalls the layout of the page, A clear site design will also be implanted in the customer's memory as a mental map which they will be able to draw on when*

*returning to the site, increasing their flow experience* (PR Smith and Dave Chaffey, 2002, pp 110-111).

Customer retention costs come as good news for e-tailers in contrast with customer acquisition costs. Obtaining customer loyalty and trust is a key aspect of any business' success, but to do so, customer demands and expectations must be well understood for the business. Once a customer shops from an online business, his e-mail details and some of his interests are acknowledged. When a business uses this information to send the customer e-mails, it helps to build a relationship between business and consumer, and hopefully encourages the customer to repeat purchases. The only way to maintain constant profit as an e-tailer, customer retention is a must. The bottom line is that the differences of e-tailing and retailing are significant for an online retailer's success. Although e-tailing cuts marketing and sales costs, plus start-up investment costs, in order to thrive in the competitive World Wide Web it must understand the differences and succeed in getting the crucial elements right. A very important key to e-commerce success is managing your fulfilment costs and customer acquisition costs.

#### **3.4 Reasons for lack of apparel e-tailing sales on the internet**

The current misconception of most apparel e-tailers is the threat of disintermediation from channel networks due to the fact that manufacturers perceived reduced costs when selling direct to consumer, (i.e. Kouross Fashions Ltd the same misconception)

Most retailers know that consumers enjoy their 'shopping therapy' and have fun when shopping in physical shops, that is why they mostly use a web site as a rather complementing than substituting a physical store. Retailers such as Kouross Fashions Ltd are satisfied by their current presence online since they advertise their local branches and services with little concern for the understanding of online customer experience or adding value to their brand.



A main reason for lack of apparel sales from retailers is the difficulty to change the organization's processes. The core business processes of a cloth retailer such as Kouross Fashions Ltd are totally different from computerized warehouses and delivery logistics with parcels. Corporate culture to Business to Consumer (B2C) e-commerce is an important barrier to the implementation of e-tailing and fear of delivery process causing problems to the main business operation.

### 3.5 Characteristics of a successful online retailer

Most of the basic principles that apply for the success of a retailer such as visionary leadership through financial and competitive analysis, and the communication of a strategy from sound business thinking are also applied to an e-tailers success. Offering excellent service with quality merchandise at good prices with customers being the main driver of the business is both applied to retailing and e-tailing. New essential capabilities such as logistics and distribution can be provided to external strategic alliances that are best qualified for the job. So as you can see the traditional and online channels are not of great difference, yet online retailers can offer to the consumers, expanded customer services that are not offered by retailers.

### 3.6 E-tailing importance for SMEs

E-tailing promises to leverage commercial opportunities and introduce new ways to compete both national and international. Organizations such as CDNow Inc an internet music retailer, launched in 1994 as a small enterprise on the World Wide Web and established a value today of over \$100 million. Since large organizations still find it difficult to adapt to the change towards the online society, opportunities open for SMEs in any industry. With the evidence shown in the previous chapters about the evolution of e-commerce and e-tailing and the benefits to all businesses, SMEs must take into consideration e-commerce implementation to obtain an online brand image and overcome large competitors that failed to implement e-commerce.

## CHAPTER FOUR

### 4. SMEs need to embrace e-commerce

#### 4.1 SMEs overview

The European Community defines SMEs as businesses employing less than 250 employees. SME play a crucial role for future prosperity of industrial economies and as Turban states:

*"Some of the first businesses to take advantage of Web-based electronic commerce were SME's. While larger, established, tradition-bound companies hesitated, SME's moved onto the Web because they realized there were opportunities in marketing, business expansion, business launches, cost cutting, and tighter partner alliances. Some examples are virtualvine.com, hothothot.com, and philaprintshop.com" (Turban 2008 pp 269).*

According to Michael Quale: *"Developing SME e-commerce expertise is essential to sustaining (and, in some cases, achieving) competitive advantage. SMEs appear to be aware of (if not embrace) the basic elements of e-commerce. The challenge perhaps is getting them to realize that the same elements are also prerequisites for developing an organization's competitive advantage. The future belongs to those who can use new technology to make themselves more efficient and develop better products and services (Weber, 1999). The results may not be instant. Nevertheless SMEs ignore e-commerce at their peril. The reality, however, is that businesses that really want to work with partners on the Internet, ought to be prepared to do whatever it takes to get them there" (Michael Quayle, 2002).*

#### 4.2 SMEs attitude and constraints towards e-commerce

SMEs are probably unaware of how to adopt e-commerce due to the fact that most are reluctant to invest and possibly not sufficiently informed and educated regarding the application and implementation of e-commerce. SMEs may also be constrained from the lack

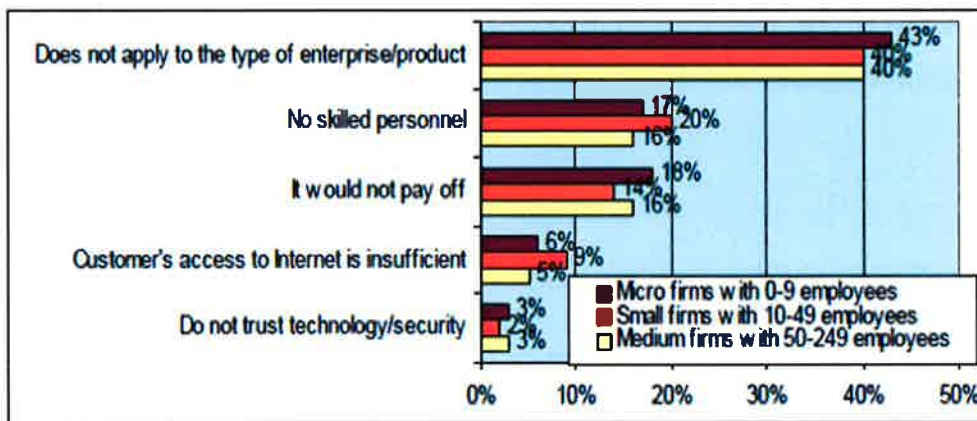
of financial resources, insufficient time and fear of failure. SMEs in most industries may be unable to purchase enough volume to take advantage of digital exchanges and thus not affording entry to the online market. Larger organizations can take larger risks due to the large reserve of resources available.

*The leading reason given by businesses for not engaging e-commerce is that it is not suited to the nature of their business (OECD, 2002b), A recent survey of SMEs with fewer than 250 employees in 19 European countries shows that around 40% do not use the Internet for selling because they consider that Internet e-commerce does not suit their type of business and/or products.*

Source:’’ <http://www.oecd.Org/dataoecd/6/9/31919255.pdf>’

Figure 4

**Figure 7. SMEs in Europe: Reasons for not using the Internet for selling, 2001**



Note: Percentage of 1 427 firms with fewer than 250 employees not using the Internet in 19 countries (15 EU member states plus Iceland, Liechtenstein, Norway and Switzerland).

Source: European Commission (2002a).

Source:’’ <http://www.oecd.Org/dataoecd/6/9/31919255.pdf>’

Realistically online consumers look for well-known brand named businesses to do transactions, who already established internet presence and experience because of consumers fear for identity theft and failure of delivering the product or service requested. Ensuring security of transactions and delivery can be a huge challenge for SMEs because of the cost and the added complexity to the business operations. The consumers are usually guided through search engines and in a high competitive industry only the big companies will appear first in the search field since they will be

able to afford sponsorship to the major search engines(Google, ask, etc.), and because they already obtained a high internet presence and are acknowledged with internet marketing applications.

#### 4.3 SMEs benefits

E-commerce helps SMEs generate public recognition and improve brand image with the opportunity to reach global customers and enter the global competition. Having a Web presence enables small businesses to compete with larger organizations since no other intermediate is as efficient to global marketing, customer support and sales. Assuring a presence on the online market is comparatively easier and more inexpensive than building or renting a storefront in any country market and the consumers approachable are only locals where as through the Website, worldwide consumers. Cheaper and much lower cost is enabled on the ways of advertising and conducting market research since customers can be approached through e-mails, pop-ups, banner exchange, chat rooms, and newsletters and so on. E-commerce success for SMEs does not come by chance, but through strategic thinking and analysis.

#### Literature Review Summary

The information viewed in the literature review chapters, targets to acknowledge readers with the significance of the society change towards electronically processed transactions and the importance of electronic retailing for SMEs wanting to thrive in the competitive industry which surrounds them. E-commerce and e-tailing features are explained with the typical attitude of SMEs towards electronically processed transactions, to try to provide readers with an understanding of the benefits of competing in the online market due to lack of implementation of e-commerce from businesses (major brands and SMEs). The information shown will be linked with the case study research conducted and shown in the following chapters of a small apparel retailer competing successfully in the Cyprus market, Kouross Fashions Ltd.

**CASE STUDY RESEARCH AND ANALYSIS**

**KOUROSS FASHION LTD**

**KOUROSS**

**KOUROSS**

## CHAPTER FIVE

### 5. Kouross Fashions Ltd

KOUROSS Fashions was established in 1991 importing and selling luxury clothing of top worldwide selling brands for men. It was very successful and established in the short list of top quality shops for men's clothing, following an uprising course of action.

Today KOUROSS Fashions activities run 5 stores situated in the most commercial roads and avenues in all main cities on the island (Cyprus). The stores currently sell clothing, shoes and accessories of the below listed brands:

- KENZO
- JUST CAVALLI
- GF FERRE
- JOHN GALLIANO
- U.S ASSN. POLO
- VERDI
- BONAVIDA

#### 5.1 Research Methodology

The initial idea for conducting the research was to interview the sales manager and the owner of Kouross Fashions Ltd (case study) and give out a supplementary questionnaire to the employees working in the branches to understand their attitude and beliefs towards an e-commerce implementation in their already implemented website. The main problem was that the number of questionnaires used for the research was very small and this was due to the small number of the company's employees. Apart from that, another major problem was that the response of the sent out questionnaires to the individuals was not as responsive as it was expected.

## 5.2 The methodology and approach

The research method conducted was a case study regarding a small apparel retailer that obtains a website and understands the importance of e-marketing, but does not understand the importance of e-commerce, since the website's use is only for promotional reasons and for direction of the consumers to the business branches around the island of Cyprus. The case study research strategy was chosen to define the attitude of the small retailer towards electronically processed transactions and to match the information obtained with the research done in the literature review and provide an understanding of the importance of e-tailing towards SMEs. The chosen research subject came from the increasing importance of e-tailing and the ability for e-tailers to build online brands and even overcome supplier's websites. Plus the evolvement of product visualization tools will increase clothing sales online and this will bring opportunities for both large and small organizations to compete. The ones who will prevail will be those who have enabled a web presence and have established a strong *online brand*.

A case study as defined from the core book of Saunders, Lewis and Thornhill (2007) of *Research Methods for Business Students* is a "*research strategy that involves the empirical investigation of a particular contemporary phenomenon within its real-life context, using multiple sources of evidence*" (Saunders, Lewis and Thornhill, 2007). PP

The original plan was to conduct two interviews, one with the sales manager and one with the owner of Kouross Fashions Ltd and also send out questionnaires to the 20 employees working at the 5 branches around the island of Cyprus. A total of 20 questionnaires were sent out designed with a probing line of questioning. Although only 18 were completed it was still feasible to obtain an understanding the designed to capture target goals of the project. AP

## 5.3 The Use of Questionnaires

Questionnaires are a feasible and inexpensive way to gather information for a project or study. An effective well designed questionnaire can gather information about many aspects concerning not only business but attitudes, cultures and so on.

The questionnaires main advantage is their efficiency although the time consumed to complete, their anonymity and the chance of high return of information.

### 5.3.1 The importance and limitations of questionnaires

It is vital for a questionnaire's success to be viewed as a multiple stage process, starting from the set objectives and aspects needed to examine and capture, and finishing with an interpretation of the acknowledged results. The questionnaires may be cheap in regards to their management, but in contrast they are expensive in design and interpretation in terms of the time consuming to achieve. That is why every step must be designed carefully since the overall results found must be directly linked with the set-to-capture objectives.

When deciding to conduct a questionnaire research, the acknowledgment of the weaknesses and limitations must be made. One must bear in mind that when deciding to use a questionnaire the information might be superficial and might tend to describe instead of explaining the overall objective. The time needed is often underestimated and sometimes the usefulness of the drafted and piloted questionnaire can be inadequate.

The sampling group targeted is the employees of Kouross Fashions Ltd stores all around the island of Cyprus, so that an understanding is obtained about their attitude towards e-commerce and if their resistance to change is what drives the lack of implementation of e-commerce to the organization. The questionnaire is designed with mostly closed format questions and with one open format question to really understand employee personal opinion towards e-commerce. The interview questions were guided through academic books where the understanding of the structure and right flow of questions was made.



## 5.4 Questionnaire design

Both the questionnaire and interview questions were designed not only to get an understanding of the organization's attitude towards e-commerce, but also to see if the people operating the business share an understanding of today's computerized world. Both the Questionnaire and the interviews were modified to drive Kouross Fashions Ltd to the understanding of the importance of e-commerce, as well as understand why they haven't implemented e-commerce solutions so far, since they already operate a website for advertising and marketing reasons.

This section states the set objectives and targeted goals wanted to achieve through the questionnaires. The questionnaire was drafted to capture the positive or negative belief of the employees towards the:

- Fear of competitors overcoming the business from their increased brand image through their implementation of e-commerce.
- Conduct transactions on the online market being a waste of time.
- The retention of the organizations pursuing e-commerce because of the lack of skills and information.
- Clothing online being regarded as just an extension or evolution of the mail order sector.
- The future success lying on businesses that have established an online brand instead of just the goods sold by the business.
- Clothes shopping online
- The fact that the electronic market hasn't been so importantly impacted from the credit crunch as the physical market is a sign that future survival of businesses in any industry will come from e-commerce.

The Questionnaire was also designed to capture the employees' tendency to agree with:

- Kouross Fashions does not perceive e-commerce transactions to be a customer demand.
- The business focus should be on the basic operations such as quality of service instead of e-commerce implementation.
- Businesses working as intermediaries on the online market will be overcome by supplier

websites.

Finally an open question was drafted to obtain the belief of the employees' towards the following statement:

"A successful market already established for home delivery with internet users being predominately male (the targeted audience of the business) and increased interest of consumers towards online clothing with the revolution of product visualization tools (providing virtual try-on models(appendix E) for the consumers understanding if the clothes bought suits them), why isn't Kouross fashion interested in implementing e-commerce?"

Asking the right questions isn't always easy, however the issues of investigation are understood and the main purpose of the project is not only to obtain an understanding of Kouross Fashions ltd. attitude towards e-commerce implementation, but also to provide an explanation highlighting the importance of e-commerce transactions for the organization through the questionnaires, interviews and the underlying project.

## 5.5. Case Study overview

### 5.5.1 The case study

As part of the investigation made for SMEs and e-tailing, a case study research strategy referring on a single case, Kouross Fashions Ltd was conducted to highlight a small retailer's attitude towards e-commerce, and try to make the management understand the importance of implementing e-commerce solutions to the business. This case study is intended to provide more in depth insight about the small business perception about e-commerce. The reason for choosing a clothes retailer is the specific interest in the clothes industry and the expected evolvement of this industry online in the years to come. The case study consists of two interviews and a complementary questionnaire as referred to the previous section.

The decision to undertake two interviews came from the fear of possible failure to obtain enough information from the business. However of course, the case study cannot truly represent the views and attitudes of all SMEs towards e-commerce, but the underlining

objective of the project is to match the business perceived limitations to e-commerce with the acknowledged opportunities and benefits obtained from the literature research, so that Kouross Fashions Ltd understands that e-tailing is 'the way forward' for future retailers wanting to survive in any industry.

### **5.5.2 Organizing the interviews**

Since this is the first time the writer of this essay is conducting this kind of research, such as interviews, the fear of misconception was constantly going through her. The most difficult part of the preparation was structuring the interviews, in view of the fact that each question asked to the respondent must obtain relevant information and at the same time trying to avoid unnecessary information. The interviews were conducted in Cyprus to provide the respondents comfort and enable them to conduct it at a place of their liking. From the research done on how to conduct primary research and interviews, the acknowledgement was made of the fact that the atmosphere where the interview is executed is vital to be relaxing and comfortable for the respondent.

## CHAPTER SIX

### 5. Result Analysis and Findings

#### 6.1 Interview one with Sales Manager

Mr. Stefanos Economides is the sales manager of Kouross Fashions Ltd a small clothes retailer in Cyprus. The interview consisted of eight questions trying to obtain the understanding of the sales manager's opinion about e-commerce and the online market, and also trying to obtain some specific information about the business objectives. The questions were targeting to explore:

- The effects of today's change towards an internet based society in regards to the business.
- The business lack of interest towards e-commerce implementation although implementation of a website for marketing reasons.
- The segmented target audience of the business.
- Management objectives for expansion and growth.
- Customer perceived demands and expectations.
- Personal opinion about the future of retailers online.

The sales manager shows to share an understanding of today's effects of e-commerce since his response to the first question was:

"..with the evolution of globalization and technology consumers are conducting cashless transactions through mobile phones and computers whenever and wherever they wish. Even though the business doesn't compete on the online market and only competes in the Cyprus local clothes retail market, we still are affected from foreign competitors who sell the same products with Kouross Fashions online to the Cypriot consumer. Bigger clothes retailing enterprises with larger resources can conduct transactions online and sell the same products cheaper than Kouross".

But when asked why the business hasn't implemented e-commerce, yet his answer was that is not perceived to be a customer demand and the business perception is that sales have more chance increasing from good face to face transactions. An understanding of the targeted audience was made, who are predominately male with a high share of expenditure since the clothes sold from the business are well known established brand names. The business future objective for growth is to open a few subsidiary branches in Greece where the culture, ethics and language is the same. The business perceived consumer demands surround the quality of the product and service provided.

The sales manager feels positive for future entrepreneurial growth but fears for global expansion through the online market since when asked why they have a website for marketing reasons and don't conduct transactions through the website he answered that the lack of knowledge, uncertainty of delivery of goods to customer and uncertainty of supplier consistency with the required processes has retained them from pursuing it. The full transcript of the interview can be seen in APPENDIX B.

## 6.2 Interview two with chief manager

Mr. Giannis Papaioannou is the chief manager of Kouross Fashion ltd and was kind enough to answer ten questions to provide an understanding of the issues concerned. The aim of the interview was to explore the chief manager's beliefs about e-commerce and through the interview try to drive him to the assumption and understanding of what my project is all about and why apparel e-tailing is worth pursuing.

From his first answer regarding the changes in technology and consumer demands for electronically processed transactions the chief manager shown to realize the changes happening and fears for future competition arising. But the reason the business fears to make the decision to implement e-commerce is because there is lack of knowledge and trained personnel that can manage this type of operations.

"The business launched the website to promote the products and services and to direct consumers to branches around the island"

That was the chief manager's answer when asked about operating as a regional store to offer services locally. The chief manager feels that even if perceive benefits outweigh perceived risks, the constraints are still there, such as insufficient knowledge and fear of suppliers future implementation of B2C e-commerce overcoming the business.

Mr. Giannis Papaioannou was very kind providing the information and interested in reviewing the project to obtain some knowledge of the opportunities obtained from e-tailing and maybe reconsidering implementing electronically processes transactions. The full transcript of the interview can be seen in APPENDIX B.

### 6.3 Summary of interviews' findings

After conducting the interviews the acknowledgement was made for both managers that they already know the benefits towards electronically processed transaction and that the fear of their perceived constraints has retained them from pursuing e-commerce so far. Their perceived constraints are lack of knowledge and trained staff, lack of resources to cover e-commerce investment if failing, and fear of supplier's future B2C e-commerce investment overcoming their own. Plus the managers feel that the consumer's demands are surrounded by face to face transactions instead of electronically processed transactions. These perceived constraints surround most SMEs in all industries, and all these businesses want to obtain entrepreneurial growth and increased sales and brand image through their basic operations in the physical market instead of competing on the World Wide Web (www).

### 6.4 Kouross Fashions Employee Questionnaire Results and Analysis

As a supplement to the interviews questionnaires were handed to employees of Kouross to understand their opinion and attitude towards e-commerce. The questionnaire was structured with ten closed format questions and one open format question for employees wanting to express more about the subject and hopefully understand the whole idea of the project.

The questionnaire results have shown that employees do not share the same beliefs with the management that conducting transactions online is a waste of time since 83% have given a negative reply and 17% have given a positive. But do have the same beliefs in regards to their lack of knowledge and skills being the reason they haven't pursued e-commerce so far. The respondents have shown to mostly believe that clothing online will just be an extension of the mail order sector and a 50-50 response to the future online success lying in businesses that have established an online brand instead of the products sold.

An interesting result was that most of the employees are willing to buy clothes online as individuals but still provided a 50-50 result as to competitors increasing from the online market affecting them. Most of the respondents believe that the business should focus on the basic operations concerned and that the business doesn't believe e-commerce transactions do be a perceived customer demand. The final closed format question was about intermediaries in the World Wide Web (www) being overcome by supplier B2C website.

The questions reply analysis in percentage is shown below, but explained more thoroughly in Appendix D where the exact questionnaire questions are shown with the exact analysis. The questionnaire was anonymous with no questions regarding age or race to avoid discrimination from happening.

**Table 1 - Questions 1 to 7 reply**

QUESTION	1		2		3		4		5		6		7	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
TOTAL	3	15	15	3	12	3	9	9	12	6	12	6	9	9
%	17%	83%	83%	17%	75%	25%	50%	50%	75%	25%	75%	25%	50%	50%

**Table 2 - Questions 8 to 10 reply**

	Agree	Tend to agree	Not sure	Tend to disagree	Disagree
Question 8	25%	33%	8%	25%	8%
Question 9	42%	17%	33%	8%	0%
Question 10	33%	25%	8%	25%	8%

The above results can be seen on the following charts as well:

**Chart 1 – Questionnaire analysis for questions 1-7**

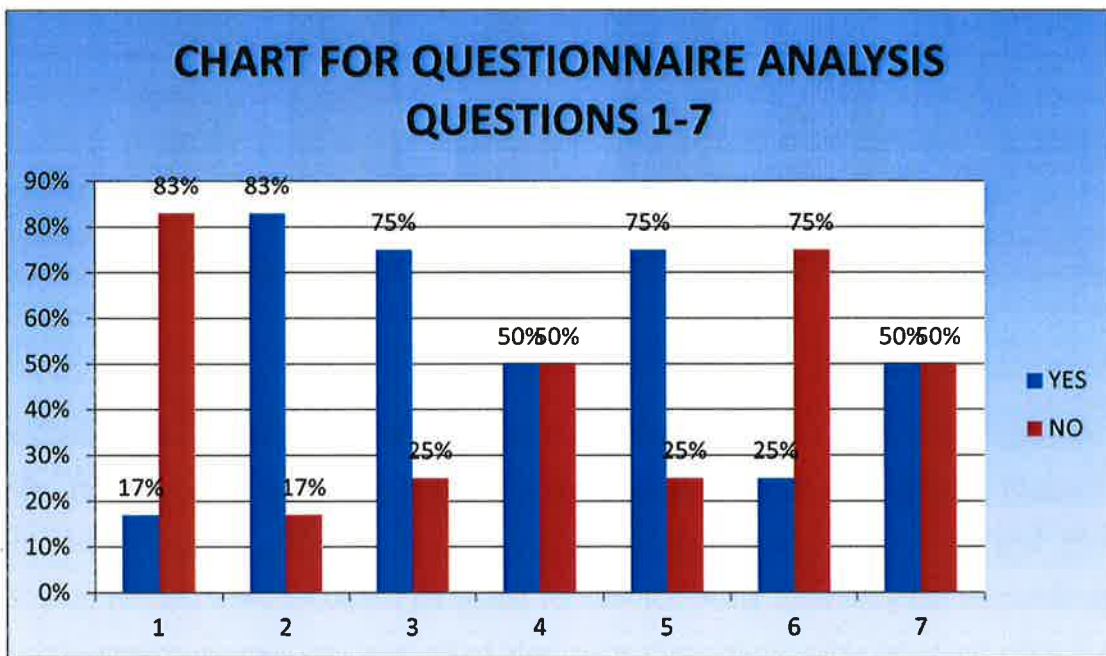
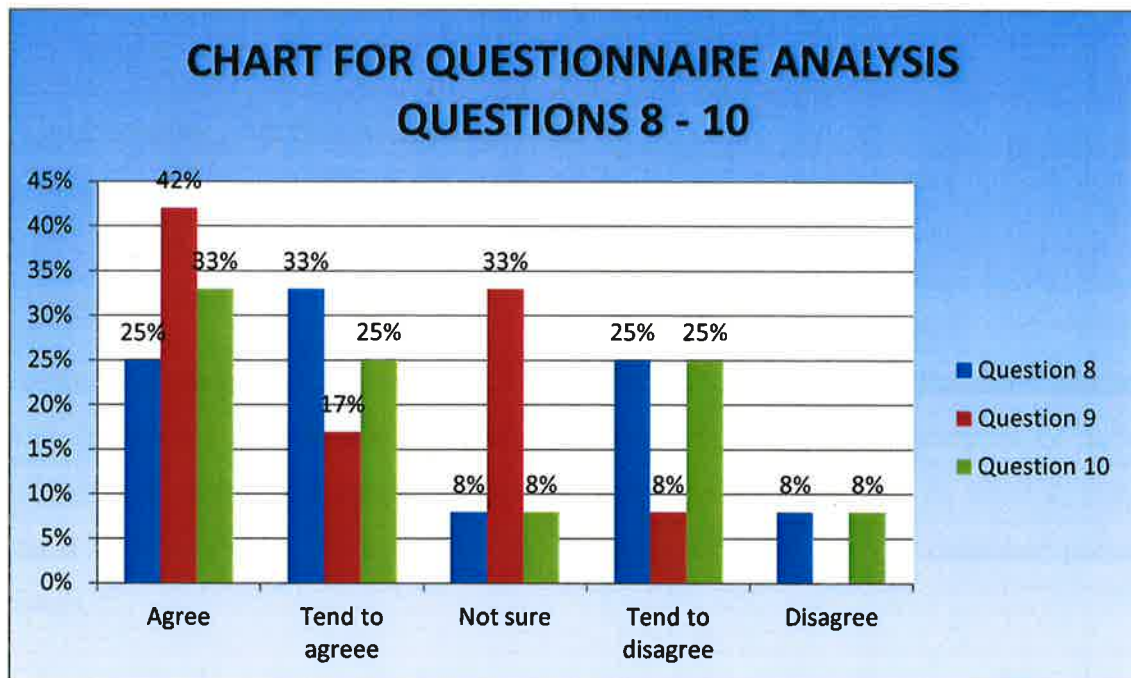




Chart 2- Questionnaire analysis for questions 8-10



The open format question was informing at the same time it was asking and it was concerned on the fact that a successful market has been established for home delivery, Internet users being predominately male, the evolvement of product visualization tools and increased consumer interest towards online shopping for clothes. After informing the respondents with this information a question was asked that with these facts acknowledged why Kouross Fashions isn't interested in implementing e-commerce. Most of the respondents have found the question confusing and didn't answer or answered with not sure or don't know. But some respondents blamed the lack of resources, business targeted audience isn't interested in online transactions and is more interested in using the website to promote the products sold and direct the customers to the stores. Also stated that is not relevant to the business and that risks outweigh benefits and is difficult to achieve. The lack of trained staff and information was also referred with one respondent believing that if implementing in e-commerce there will be no need of a physical store since sales will be separated online and offline and the online will prevail forcing the stores to reduce and sack employees. An overall fear of change overcomes the organization as a whole to do the step forward towards e-commerce implementation.

## **CHAPTER SEVEN:**

### **7. Conclusions and Recommendations**

#### **7.1 Recommendations**

As a closure to the project recommendations are made as to why and how Kouross Fashions ltd should implement e-commerce solutions. An explaining of the importance of product visualization tools for the future of online shopping for clothes will also be made so that the business understands the effects this change in technology will have in consumer perceived demands.

##### **7.1.1 Kouross Fashions Ltd 'need' for implementation of e-commerce**

As the project title states that e-tailing is the way forward for retailers and with the acknowledged information of the previous chapters and research made an overall understanding of the underlining purpose of the project is made. That the B2C model of e-commerce is prosperous for retailers since the future lies in businesses that have already established an online brand. There is still time for implementation of e-commerce and for SMART entrepreneurial businesses to start building their brand names online for survival of the fearsome future of a totally cashless Internet based society. Succeeding as an intermediary on a global scale can increase relationships between business and suppliers and enable Kouross Fashions to control more the bargaining power of both suppliers and consumers. When succeeding a web presence and a high traffic website, brand recognition will increase and even if suppliers implement e-commerce in the future, due to an already established brand name the consumers will feel more safe conducting transactions with the known intermediary to buy a Cavalli suit instead of the Cavalli website itself. Of course an understanding of the legislations must be obtained before pursuing e-commerce.

When a business plans to conduct e-commerce, an analysis must be made in depth so an understanding of the laws surrounding the industry can be achieved effectively. The government is the start and the end of any industry and a main driver of business activity and if failure to understand the laws and legislations surrounding e-commerce the business will be lead to the court of justice. The business behaviour and structure has to abreast with the government's specific standards. A very good way to avoid lawsuits and crippling legal exposure is using a Terms of Use page to acknowledge users of the website of the terms and conditions.

The Uniform Electronic Transactions Act plays a vital role on how electronic transactions are made since they carry out the laws that form electronic transactions. Additional to these there are the distance selling legislations. The company must have details and explanations about their products and services. Furthermore the company has to arrange when and how the products must deliver to the consumer and must inform the customer for any additional taxes. The customers have the right to cancel the transaction before they pay and the company must have the option "proceed to the payment" and the option "cancel transaction".

Information regarding e-commerce solutions and the successful design and operation of the website can be obtained by professionals who specialize on the specific sector. Plus inventory systems and distribution services can be obtained by specialized businesses in the subject.

### **7.1.2 The evolution of the virtual try-on model**

Online shopping has developed quickly together with the Internet industry and became a mainstream concept for consumers. Shopping online for clothes is becoming a major area of consumption and consumers are increasingly taking an interest towards it. A new wave of online apparel shopping has evolved with no need of a salesperson and an online try-on procedure provides consumers the ability to shop with a better understanding of the fittings of the product before buying it.

Visualization is basically the technique used to create images, animations and so on to communicate a message to the viewer. The new technology of product visualization tool of the try-on virtual model provides consumers with a new shopping experience. The idea of a virtual model is to provide consumers with the ability to use a model similar to their characteristics to try on clothes before shopping them. Many consumers will find this as an opportunity to bypass the physical store and shop online for clothes they wouldn't normally try on in person. It enables consumers to look at fashions they normally wouldn't try in person because a lot of consumers might feel embarrassed of their figure or even for the clothes bought. Good examples can be seen at Marie Claire or Sears's website, more information and images are provided in Appendix E.

## 7.2 Conclusion

The project was conducted to obtain an acknowledgement of the theories surrounding e-commerce and more specifically e-tailing towards SMEs and more specifically Kouross Fashions Ltd. The underlying essence of the project was to provide an understanding of the importance of e-tailing for SMEs especially in the apparel clothing industries where product visualization tools are evolving such as virtual model. The conclusion drawn is that SMEs can compete easier with larger organizations in the World Wide Web and can expand their services and operations on a global scale, but the fears surrounding most SMEs constraint them from adapting e-commerce solutions and prevent them from reaching consumers worldwide.

The assumption made is that SMEs fears have made them negative towards e-commerce and the idea of implementing e-commerce solutions. But the renowned fact that a business willing to thrive from its competitors and survive in the turbulent environment of business today, must adapt to e-commerce has been surrounding the news of business for the last decade.

I hope the project provides retailers especially Kouross Fashions Ltd with information to engage with an acknowledgement of the benefits of e-commerce and e-tailing, the Business to Consumer (B2C) e-commerce business model.

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## APPENDICES

Appendix A: Research Proposal

Appendix B: Interview transcripts

Appendix C: Questionnaire

Appendix D: Questionnaire results and analysis

Appendix E: Product visualization toll (virtual model)

Appendix F: E-commerce statistics and facts

Appendix A:

Student Name: Maria Samani

Programme Title: MBA

Project Title: E-tailing the way forward

Research Proposal

Background:

With the evolution of e-commerce, businesses are able to compete in global markets regardless of physical distance and cultural barriers or national boundaries. The evolution through electronic data interchange (EDI) and basic E-mail to the sophisticated Web based interactive systems has made us wonder what the future of e-commerce holds since business potential are so high. The removal of barriers of culture, language and national boundaries due to the internet and e-commerce will gradually help globalization and accelerate international trade. Benefits to consumers, organizations and society can be obtained when

implementing e-commerce. However, the real underpinning question that underlines the project is, does e-commerce help small and medium enterprises; or it is just a waste of time for SMEs especially in the clothes retail industry. The topic was chosen because of the main interest raised through my course relating electronic commerce, and because of the increased importance of e-tailing regarding the contribution of e-commerce business applications for an SME in the retail industry. I intent to demonstrate e-commerce features and the applicability of those features regarding SMEs, specifically in the clothes retail industry, using Kouross Fashions Ltd as a sample company of analysis. Kouross is a successful small retail enterprise, operating through the island of Cyprus, selling high quality brands such as Versace, Roberto Cavalli and so on.

#### Research Objectives:

- To engage theory and ethics of e-commerce and the world of practice
- To establish the characteristics of SMEs in the retail industry
- To examine e-tailing features and its importance to SMEs
- To draw conclusions about the applicability of e-commerce to SMEs in the retail industry

#### Method:

1. Conduct a literature review on e-commerce in order to develop research hypotheses
2. Carry out a primary research in e-tailing and e-commerce features to understand its importance towards Kouross Fashions Ltd, a medium enterprise in Cyprus clothes retail industry, in order to understand if e-commerce really applies in businesses of their size and orientation.

The research in Kouross Fashion Ltd will be done through two interviews one with the sales manager and one with the chief manager to obtain an understanding of their attitude towards e-commerce and their perceived limitations and constraints. A questionnaire will be developed with questions based on the customer's value and expectations from Kouross Fashions' products and services and hand out to the employees. The questions will be seeking to obtain a hypothesis regarding the importance of e-commerce to the organization and its employees and understanding their attitude towards e-commerce implementation.

#### Resources:

The Neapolis University Pafos (NUP) provides me the ability to get books through the library. Access to the organization chosen for research (Kouross Fashions Ltd) has been negotiated, but will be confirmed. I have access to computer software and hardware needed.

## Appendix B:

### **1) Transcript for interview with Sales manager of Kouross Fashion Ltd ( Stefanos Economides)**

Q MS: Do you think the constant changes of technology and consumers move to an Internet based, cashless society affects your business in any way?

A SE: Of course, with the evolution of globalization and technology consumers are conducting cashless transactions through mobile phones and computers whenever and wherever they wish. Even though the business doesn't compete on the online market and only competes in the Cyprus local clothes retail market, we still are affected from foreign competitors who sell the same products with Kouross fashions online to the Cypriot consumer. Bigger clothes retailing enterprises with larger resources can conduct transactions online and sell the same products cheaper than Kouross.

Q MS: If it does affect your business, why hasn't the organization adapted a sophisticated e-commerce solution to defend the business from these effects?

A SE: The business perceives that customer demand in the clothes industry is more oriented to face to face transactions, due to consumer's lack to trust to electronically processed transactions regarding the quality of the product, the size and the customer's details safety.

Q MS: Who are the segmented target audience for the business?

A SE: The segmented target audience are predominantly male, who have a high share of wallet and need clothes for formal occasion such as weddings or an important night out and business occasions such as business meetings and work.

Q MS: What is the management objective for the business growth and development?

A SE: The management objective for future development and business growth is to open a few subsidiary branches in Greece where there are many cultural similarities in consumes and the language is the same.

Q MS: Looking at the marketing benefits of the website, hasn't it occurred to the business to implement e-commerce transactions. If yes what has stopped the business from pursuing it?

A SE: It had occurred to the business to implement e-commerce transactions, but the lack of knowledge has brought the fear for investing due to uncertainty of delivery of goods, and supplier consistency with the required processes.

Q MS: What are the customers perceived demands and expectations?

A SE: Customers' expectations of the business are high quality service and products.

Q MS: Do you think clothes retailers have a future in the online market?

A SE: No one can be sure of that, but I believe retailers won't have a future at all in the online market since suppliers will have their own shops thus making it difficult for retailers to operate. Suppliers will manipulate their power and will disable retailers from succeeding a

high traffic website, since suppliers will provide more up to date products in cheaper price that the retailer does.

Q MS: With internet users being predominately male and the business segmented target audience being male, don't you think that it would be a good opportunity for the business to operate online and conduct transactions with consumers on a global scale?

A SE: (Skeptical) well ....yes, if I could be assured that the perceived benefits outweigh the perceived risks.

## **2) Transcript for interview with chief manager of Kouross fashion (Giannis Papaioannou)**

Q MS: What do you think about the constant changes in technology and consumer demands regarding the move to an Internet based cashless society?

A GP: The constant changes to technology have brought improvement in delivery systems, speed and better communication links between businesses and consumers. A constantly increasing number of consumers are using the internet to buy products from anywhere they choose from and at any time they want. This can cause problems in the future since a lot of consumers will be looking for electronically processed services and products which the business doesn't provide.

Q MS: A successful entrepreneurial business is one that adapts with the changes of its surrounding business environment. Looking at all the changes happening, don't you think the

organization will be better of implementing a sophisticated e-commerce solution to adapt with the changes and possibly retain and obtain more customers?

A GP: Yes, a good entrepreneurial business adapts with the changes of its surrounding environment. But in order to adapt with the changes and obtain the benefits, we must have the knowledge of what we are getting into and how to use it (laughs). Without a clear knowledge and trained personnel it will be difficult to succeed.

Q MS: Working as a successful intermediary in the physical world, providing value added services to suppliers and consumers, and knowing the importance of intermediaries in e-commerce, surely the business is thinking of implementing a regional online store to improve quality of the business operation.

A GP: The basic reason we launched the website in the first place, to promote our products and services and direct the consumer to the branches around the island of Cyprus.

Q MS: Would Kouross fashion consider adapting e-commerce once perceived benefits outweigh perceived risks limited by constraints?

A GP: Well (skeptical), probably, but there still are constraints, with insufficient knowledge of e-commerce strategies and implementation the whole investment might fail and the organization doesn't have reserved resources to cover the loss. Plus it will be difficult to compete since suppliers already have websites for promotional use and probably for transactions in the future.

Q MS: Future online success will most likely depend on the strength of websites as online brands themselves instead of the products they sell. Liking at the launch of the virtual model that allows consumers to try on clothes online on a model similar to their bone structure and



characteristics, don't you think we are moving towards an era where consumers will prefer to buy clothes online due to their insecurity of their body or in need of their privacy or because of their limited time schedule to visit a physical shop?

A GP: Yes, consumer preferences regarding the service change from day to day due to the popularity of the internet and the increased number of computers per household. But Kouross segmented customers' expectations are not only for high quality clothes but also for high quality face to face service.

Q MS: Don't you think expanding to Greece will bring more expenses to the business than implementing a website and approaching consumers worldwide?

A GP: Yes, but the estimated risk is less when competing in a local market instead on a global scale.

Q MS: Looking at the economic crisis happening, and the impact towards the physical market, don't you think that the Internet sales have remained the same, gradually increasing in e-tailing is a sign that e-commerce implantation is a must for any business survival in the future?

A GP: (Skeptical).....without substantial facts I cannot make a decision to invest in e-commerce.

Q MS: What would urge you to implement in e-commerce.

A GP: If I could be assured that the website would be successful and I will be able ti increase earnings and distribute the clothes easily to the consumer.

Q MS: If I was to conduct a project regarding e-commerce, clothes e-tailing and the pros and cons of e-commerce to SMEs, and especially to Kouross fashions, would your organization be interested to review it?

A GP: Of course, but I still think it will be waste of time.

## Appendix C: Questionnaire

1) Do you think conducting transactions online is a waste of time for the business?

Yes/No

2) Does the lack of information and skills retain you from pursuing e-commerce?

Yes/No

3) Will clothing online come to be regarded as simply an extension or evolution of the mail order sector?

Yes/No

4) The future lies on businesses that build a brand for themselves online instead of the products the business sells online?

Yes/No

5) As an individual will you ever think of buying clothes online?

Yes/No

6) The revealing fact that the online market hasn't been so significantly impacted from the credit crunch in contrast to the physical market, is a sign that future survival in any industry lies in e-commerce implementation?

Yes/No

7) The constant development in technology and the World Wide Web has increased fear from competitors that conduct inline transactions and increase brand image and name through their e-commerce implementation.

Yes/No

8) The business should focus on the basic operations (i.e. quality of the service provided, inventory systems and so on) instead of an e-commerce implementation!

Agree    tend to agree    not sure    tend to disagree    disagree

9) Kouross fashion does not perceive e-commerce transactions to be a customer demand!

Agree    tend to agree    not sure    tend to disagree    disagree

10) Do you agree that businesses working as intermediaries on the web will be overcome by their supplier website?

Agree    tend to agree    not sure    tend to disagree    disagree

11) A successful market already established for home delivery with most internet users being predominately male (targeted audience of the business) and with the evolvement of product visualization tools (virtual try-on models), increasing the interest of consumers shopping clothes online! Why isn't Kouross Fashion interested in implementing e-commerce and start conducting sales online?

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**Thank you for your valuable time and cooperation!**

## Appendix D: Questionnaire Results

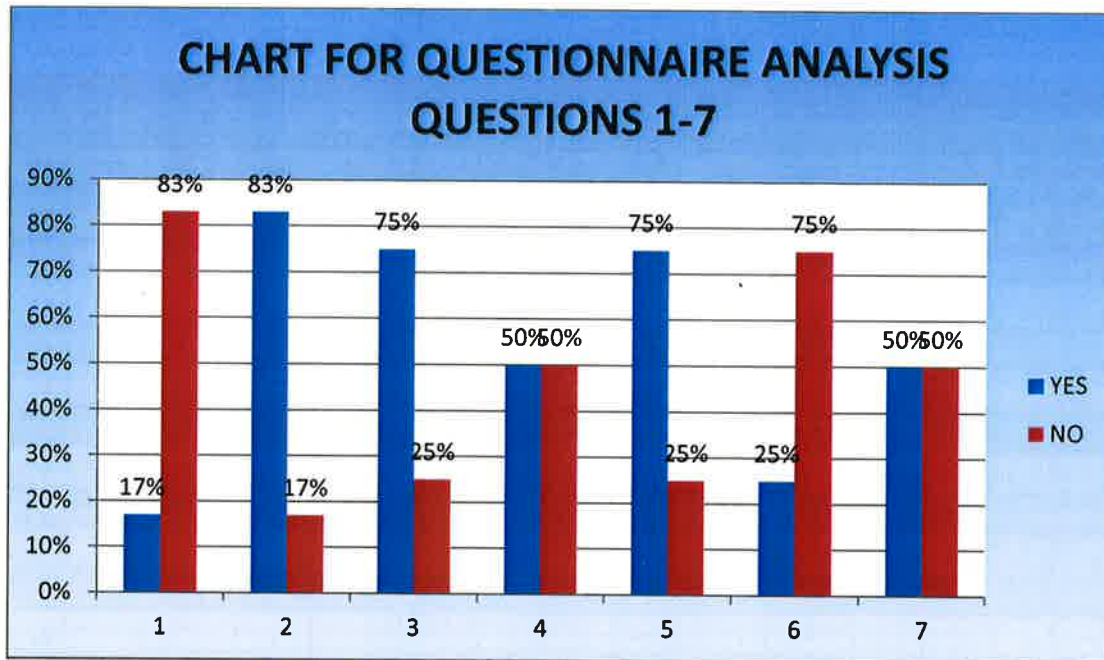
Questionnaire analysis from Kouross Fashion Ltd employees answers.

Questions 1 to 7

EMPLOYEES	1		2		3		4		5		6		7	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
1		1	1		1			1		1	1			1
2		1	1		1			1		1	1			1
3		1	1		1			1	1		1			1
4		1		1		1	1		1		1			1
5		1	1		1		1		1		1			1
6		1	1		1		1		1			1		1
7		1	1			1	1		1		1			1
8	1		1		1			1	1		1			1
9		1		1	1		1			1		1	1	
10		1	1		1			1	1		1			1
11		1	1		1		1		1			1	1	
12	1		1			1	1		1		1		1	
13			1			1		1	1		1			1
14				1	1			1		1	1			1
15		1	1		1		1		1			1	1	
16		1	1			1	1			1	1			1
17	1		1			1		1		1		1	1	
18		1	1		1			1	1			1		1
TOTAL	3	15	15	3	12	6	9	9	12	6	12	6	9	9

QUESTION	1		2		3		4		5		6		7	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
TOTAL	3	15	15	3	12	<del>3</del>	9	9	12	6	12	6	9	9
%	17%	83%	83%	17%	75%	25%	50%	50%	75%	25%	75%	25%	50%	50%

## Chart for Questionnaire Analysis Questions 1-7



Questionnaire analysis from Kouross FashionLtd employees answers.

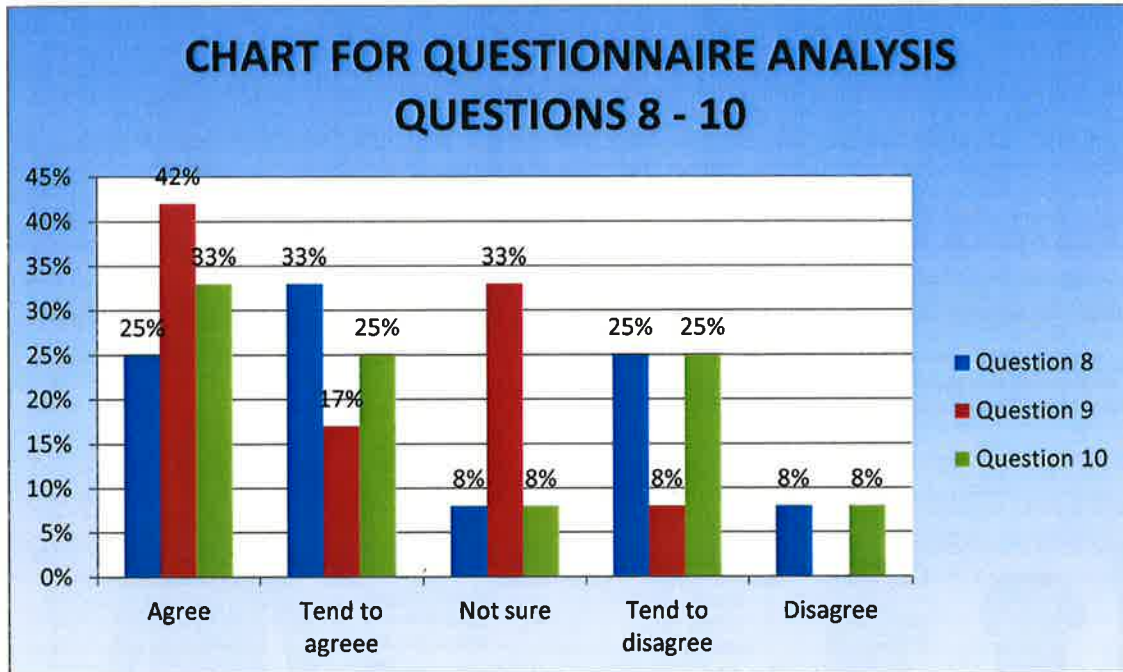
Questions 8 to 10.

EM	Question 8					Question 9					Question 10				
	Agree	Tend to Agree	Not Sure	Tend to disagree	Disagree	Agree	Tend to Agree	Not Sure	Tend to disagree	Disagree	Agree	Tend to Agree	Not Sure	Tend to disagree	Disagree
1				1				1			1				
2	1								1		1				
3	1					1							1		
4				1				1							1
5					1		1					1			
6		1				1					1				
7	1							1			1				
8		1				1								1	
9		1				1						1			
10			1				1							1	
11				1				1				1			
12		1				1								1	
13			1					1			1				
14	1					1							1		
15				1		1						1			
16					1		1							1	
17		1							1		1				
18		1						1							1
TO TA L...	4	6	2	4	2	7	3	6	2	0	6	4	2	4	2

	Agree	Tend to agree	Not sure	Tend to disagree	Disagree
Question 8	25%	33%	8%	25%	8%
Question 9	42%	17%	33%	8%	0%
Question 10	33%	25%	8%	25%	8%

# Chart for Questionnaire analysis

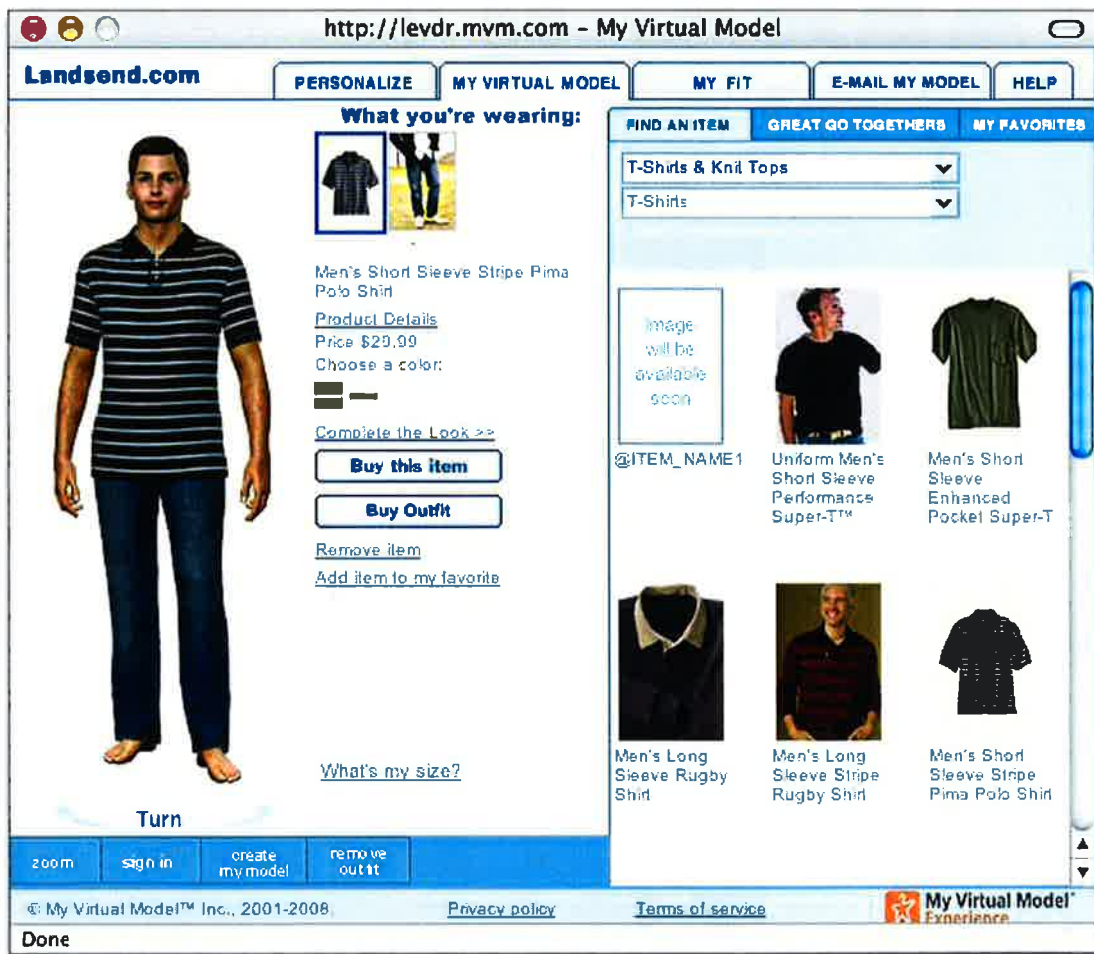
Questions 8 to 10





APPENDIX E: The information obtained came from the website “my virtual model.com”

Product Visualization Tool “Virtual Try-on Model”





Guest, Create or Sign In | Personalize | Dress Up | Send | Help | Sign In

Fashion Collection **H&M**

H&M (Regular sizes) | All



My Selections | Scenes | Man | Woman



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## Frank Casey Dress Selector

### My Suit Combination

Jacket	Undero Jacket
Waistcoat	Undero Waistcoat
Ties	Satin Silver Tie
Pants	Undero Pants
Shirts	CA White Shirt



Lands' End Improves Online Profitability Via My Virtual Model Technology.  
(Brief Article) ( Statistical Data Included)

Article from:

Direct Marketing

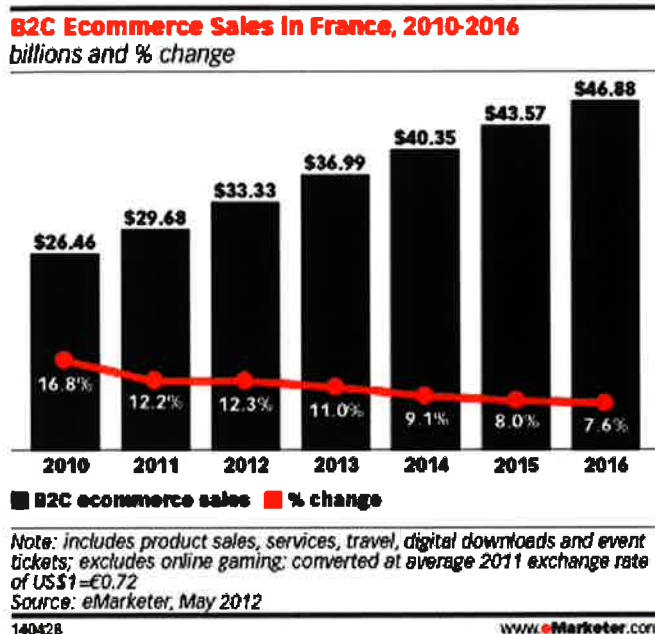
Article Date:

June 1, 2001

The use of My Virtual Model visualization technology by Lands 'End has had a positive impact on the company's key profitability indicators, including conversion rates and average order value. Launched in 1998 on landsend.com, My Virtual Model technology allows men and women to create images of their body shape and to virtually "try on" apparel items to see how items will look.

## B2C Ecommerce Sales In France, 2010-2016

According to eMarketer's May 2012 ecommerce forecast for Western Europe, France should experience steady growth in 2012, rising 12.3% to \$33.33 billion in total B2C ecommerce sales, including travel, for the year. That ranks the country third among the EU-5, trailing the UK and Germany.



Growth will remain strong through the forecast period, and online sales are expected to reach \$46.88 billion in 2016.

High sales are a result of several factors, chief among them an increased number of internet users purchasing online. eMarketer expects 75.2% of internet users in the country to buy online in 2012, up from 71.2% in 2011.

"There's no doubt that France has seen slower ecommerce growth than the UK," said eMarketer senior analyst Karin von Abrams. "For one thing, there is a strong tradition of buyers wanting to examine potential purchases before they commit. But such obstacles are now largely overcome—especially as consumers in France are suffering many of the same financial pressures as those in the UK and other parts of the eurozone. Finding goods and services online for less is very welcome."

Read more at <http://www.emarketer.com/Article.aspx?R=1009202#wQE6kjTgxLchEebZ.99>

# Consumers in Canada Begin to Leave Cash Behind

NOV 9, 2012

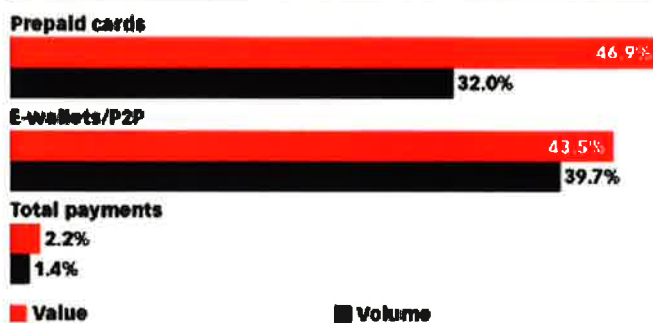
## Prepaid cards made the biggest gains in transaction value

[An October 2012 eMarketer report touched on limited payment options in Canada](#) as a historical obstacle to the development of the ecommerce market in the country. But the [Canadian Payments Association](#) finds that payment trends in the country are moving in the right direction, as customers leave cash in the bank and use more plastic and epayments to transact.

In October, the CPA released estimates that e-wallet and electronic person-to-person transfers represented CAD\$10 billion (US\$10.1 billion) in revenue in 2011, with use rising by 40% annually since 2008. Prepaid cards grew in volume by a slightly smaller 32% but the dollar value of those transactions was even more significant, growing by 47% annually over the same period. Although e-wallets, P2P transfers and prepaid cards still account for only about 2% of transactions (and even less in sales volume), their rapid uptake suggests that consumers may be loosening their resistance to electronic and other non-traditional forms of payment.

### Growth in E-Wallets and Prepaid Cards in Canada, 2008-2011

CAGR



Source: Canadian Payments Association, "Examining Canadian Payment Methods and Trends," Oct 1, 2012

146706

[www.emarketer.com](http://www.emarketer.com)

Continued uptake of debit cards is a particularly promising trend for merchants in Canada, as debit cards carry significantly lower fees than credit cards. The share of transactions made on debit rose 2 percentage points to 16%, while credit cards rose to 14% of the total.

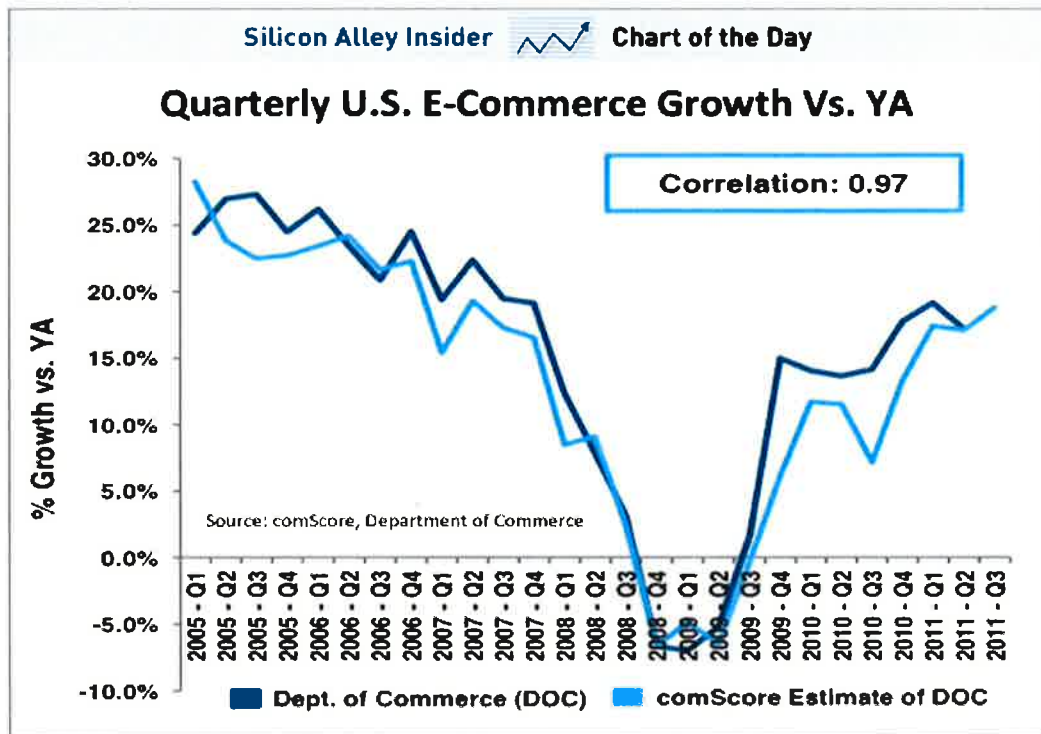
Unsurprisingly though, given credit cards' use for purchasing items that cannot be paid for in full up front, credit cards accounted for a greater share of the total value of purchases (4%) compared to debit cards (2%).

Cash and checks were the only payment methods to lose volume share, though the two traditional forms of payment still made up the majority of transactions in 2011.

Read more at <http://www.emarketer.com/Article.aspx?R=1009473#qMxHyeqQCxvISvhD.99>

# The Huge Rebound In E-commerce Growth

Nicholas Carlson | December 14, 2011



After a couple years in which e-commerce spending actually shrank, and then, began growing slowly, e-commerce growth is finally back to where it was at the end of 2007, according to this chart from ComScore.

Read more: [http://articles.businessinsider.com/2011-12-14/tech/30515100\\_1\\_e-commerce-comscore-growth#ixzz2ByJmzZGw](http://articles.businessinsider.com/2011-12-14/tech/30515100_1_e-commerce-comscore-growth#ixzz2ByJmzZGw)