



SWOT ANALYSIS OF ONLINE SHOPPING MODELS

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Objective

This case study deals with the opinion of Post Graduate students towards the models of online shopping. There are two kinds of models based on the ware house and market has been adopted by the online shopping companies in India and both models have certain pros and cons. In this case analysis, both models were analyzed through SWOT analysis to find out the suitability of them for the Indian environment.

Result: The outcome of this case study provides comprehensive idea about the models of online shopping and its suitability to the Indian market.

Keywords: Market based, Ware house based, SWOT, Discount, Delivery

1. Introduction

The complexity of online trading has been enhanced in terms of the products ,pricing and distribution and these complexity created outcry among the bricks and mortar stores to the extent that they bee lined to make a complaint on the pricing and product of these companies . On account of this, the companies involved in Digital Marketing, introspected and found out the problem exist in their model of operation .The adoption of twin models of warehouse based and market based provides certain leeway from the rules and regulations of government .But the government in its part slapped the notices to online shopping companies through the income tax department in which they have been directed them to pay sales tax, exercise duties on sales made by them. In Turn, these companies refused to accept the views of government on the issue of taxation by

presenting their model as completely different from brick and mortar thus, not mandated them to pay the required taxes. This case study analyzes these models throw SWOT.

2. Two models of online shopping companies

- Warehouse based model
- Market based model

3. Online Shopping Marketing-Models

The Online Shopping companies are adopting two kinds of business model. These models are called as ware house model and market place model. In ware house model, the shopping companies procure the materials from various manufacturers and keep it in their ware houses situated across the country. Based upon the orders received from the consumers, the companies dispatch the products from their warehouses.

The advantage of this model is that the direct control over the inventory, effective delivery of products and effective after sale services. This model has its own disadvantage like increase of cost of operation.

Another model is market place model which has its own characteristics such that the manufacturer of the products has certain space in the web site of online shopping companies. The online shopping companies do not possess the ownership of the products but offers the space for those manufacturing companies to sell the products. Except from the initial replacement warranty offered by the online shopping companies, the entire responsibility of this transactions lies on the sellers. The advantage of this model is that the online shopping companies can save huge amount of money in terms of operating cost and

other expenditure but at the same time this model doesn't allow the online shopping companies to have absolute ownership on products and services which are being marketed through its websites. Almost all the online shopping companies embrace the second model of operation though they have initially shown interest in the warehouse model of operations.

Since its entry into the Indian market, the Online Shopping companies consider the price as the base to sustain in the market. They offer huge discount on the products and services being sold through their market place thus creating an impression in the mind of consumers that the online shopping is a low cost model of shopping. This mind set effectively prevented consumers from buying the high cost products which the online shopping companies introduced later thus creating a serious dent in the profitability.

These profitability related issues have forced the online shopping companies to concentrate on trust, reliability, after sales service and convenience related aspects rather than price to not only achieve profit but also sustain in this competitive market.

4 SWOT for warehouse model

4.1 Strength

- ❖ Complete control over inventory
- ❖ Quality control is possible on the product.
- ❖ Inventory level can be accurately monitored
- ❖ Efficient delivery is possible thanks to availability of products in their warehouse Possible to create touch and buy sense among the customers.

4.2 Weakness

- ❖ The increase of overhead cost
- ❖ Possibility to pay sales tax and other taxes as its seems similar to brick and mortar
- ❖ The piling of inventory leads to enhancement of inventory cost
- ❖ The enhancement of packaging and purchasing cost of inventory
- ❖ The enhancement of employ cost

4.3 Opportunities

- ❖ Enhancement of customer satisfaction through better delivery

- ❖ Effective implementation of return policies
- ❖ Obtaining of better discount is possible because of bulk purchase of products
- ❖ Opportunities to have better relationship with companies
- ❖ Possibility to establish brick and mortar outlet in near future
- ❖ Possibility of consumers taking delivery from the warehouse

4.4 Threads

- ❖ Price discount is not possible at many occasion because of high overhead cost
- ❖ Profitability become an issue in the longer period
- ❖ Manipulation from the supplier companies is possible
- ❖ Inadequate storage place become inevitable when companies increase the number of products in the offering
- ❖ Need for exclusive service station to maintain the stocked products

5 SWOT Market based model

5.1 Strength

- ❖ No need to maintain an inventory of various products
- ❖ Possible to avoid tax complications
- ❖ The cost of operations and overhead cost decreased
- ❖ Possibility of avoiding higher rental cost
- ❖ Possibility of having many number of suppliers

5.2 Weakness

- ❖ The quality of the product supplied by the business partners disappoints the consumers.
- ❖ Possibility of non fulfilment of return policies
- ❖ Possibility of delay in delivery as business partners sometimes forget their responsibility
- ❖ Need to rely on suppliers on all quality issue

5.3 Opportunities

- ❖ Possibility of adding any numbers of suppliers as the companies are not in need of having stock points.
- ❖ Possibility of getting product from manufacturers across the country.

- ❖ Opportunity may be given to rural based merchants as it will enhance the economic condition in rural areas.
- ❖ Possibility of sending higher cost product like house, Cars and bikes
- ❖ Possibility of providing different variety of products in each segment of merchandise

5.4 Threads

- ❖ Easy adoption of this method by the competitors
- ❖ Possibility of making higher provisions in terms of charges to be paid to the consumers
- ❖ The existence of Possibility of miscommunication between the companies and suppliers on various issues like price, product and delivery.
- ❖ Sometimes, the number of products returned got increased significantly because of low quality supplies.
- ❖ Packaging may not be good as suppliers' makes mistakes in this domain of operation

Conclusion

By having deep analyses of these two models through SWOT analysis, it was found that both models have equal weight age however, the market based model has more advantages than the warehouse based model in terms of product offering, price discount and delivery .So in the Indian Context, it is appropriate for the online shopping companies to prefer warehouse based model. Hence this analysis suggest ware house model.

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