E-Commerce Environment Still Facing Supply Chain Challenges

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No doubt about it, e-commerce continues to grow and while it represents a burgeoning share of total retail sales, there are still significant hurdles to overcome.

"We're in the midst of a profound structural shift from physical to digital retail," noted Jeff Jordan of venture capital firm Andreesen Horowitz.

eMarketer [1] reported, for instance, that e-commerce growth by quarter was about five times that of store locations in 2013 and 2014.

Yet there are headwinds. [2]

Market research firm Market Track [3]said companies that want to succeed in e-commerce must operate successfully amidst these risk areas that could undermine snaring and retaining customers:

• Volatility – Prices changing with increasing frequency and predictability;
• Non-compliance – Pricing and promoting brands and products outside established guidelines;
• Illegal/illicit activity – Counterfeiting and unauthorized resale;
• Size/scope – More retailers, resellers and products available online than ever before.

JDA Software Group [4]also conducted a survey of more than a thousand online U.S. - based shoppers last year. Of the approximately 35% who bought online and elected to pick up their purchases at a store, about 50% experienced problems in initially getting their purchases. Wayne Usie, a JDA senior VP, said it may suggest that retailers might find it challenging expanding their e-commerce sales and keep profit margins.

"Retailers might experience service failures because picking products from storage and packing them into unique combinations for customers is easier in a streamlined warehouse than in a chaotic store, where other customers need to be helped and orders can be misplaced," said Usie.

Meanwhile, e-commerce retailers are collecting more data than ever, but using it effectively is still a challenge. A study by IHL Group for Dynamic Action [5], which provides retailers with various software as a service solutions (SaaS), showed that retailers worldwide lost over half a trillion dollars last year due to out-of-stock inventory, an increase of 40% from 2012.

Lindsay Conwell, VP of Solution Engineering for Dynamic Action, said all this big data and the

systems built around it can make the e-commerce environment even more challenging for retailers.

"There's uncertainty as different systems seem to show a slightly different story; retailers are also struggling to get the right data to the right people and places," said Conwell. "There's a disconnect in most retailers between marketing and the supply chain. Often, marketing has planned a promotion for a certain date but if the product doesn't reach the dock in China in time, there is no visibility back to marketing."

Challenges aside, expect e-commerce retailers to eventually resolve many of these issues and continue to expand online offerings/services. Next year, for example, _TradeReady.ca_ [6] (published by the Forum for International Trade Training, a non-profit organization) reported that countries like India, Indonesia and Mexico are expected to experience the highest growth rate in e-commerce sales, primarily because of consumers' expanding online access via smartphones.

Noted _TradeReady.ca_, "the winners in the race to be successful global retailers will be won by those able to adapt, remain agile, and put the latest and greatest technology to work for them, all while giving their customers exactly what they want."

URLs in this post:

[1] eMarketer: **http://www.emarketer.com/**
[2] Image: **http://blogs.imediaconnection.com/files/2016/01/untitled.png**
[3] Market Track : **http://www.markettrack.com/**
[4] JDA Software Group : **http://www.jda.com/**
[5] Dynamic Action: **http://www.dynamicaction.com/**
[6] TradeReady.ca : **http://www.tradeready.ca/**