

Advantages and Disadvantages of Ecommerce

By Ajeet Khurana Updated August 13, 2018

E-commerce, or the act of selling goods or services online as opposed to selling at brick and mortar establishments, has reshaped the modern marketplace in recent years, but this new form of trade comes with its own sets of advantages and disadvantages over traditional methods.

It's important, then, for businesses to look beyond the hype and develop their own perspectives on the true value of e-commerce—to business and to consumers—because interestingly, there are many advantages for consumers that might actually be a disadvantage for e-commerce businesses.

Among the top advantages for starting an e-commerce business are eliminating geographical limitations, gaining new customers with search engine visibility, lower costs for maintenance and rent, and higher capacity for goods and deliveries while the core disadvantages of starting an e-commerce business include losing the personal touch of physical retailers, delaying goods or services deliveries, and limiting availability of merchandise as some goods cannot be sold online.

Explore the following article to discover whether or not venturing into e-commerce is right for your business.

Pros Over Physical Retailers

The Internet might be the single most important facet of modern society, governing everything from political discourse and higher education to the way we conduct ourselves and our businesses. It's no wonder, then, that switching your business to an e-commerce model would come with a huge amount of advantages.

On top of eliminating the need for long lines at physical stores, e-commerce sites allow people who are not situated in major urban areas access to stores located remotely. E-commerce, as a result, opens new markets for your business, allowing you to develop a new business model geared toward your expanding consumer base, especially one that relies on good e-commerce Search Engine Optimization to drive more free traffic to the site through consumers' use of search engines.

Since you also eliminate the need for a physical store, your business can save money on rent and upkeep like utilities and maintenance. Additionally, because there is no limit to the number of items that can be sold online, your store's stock can expand exponentially by moving to an e-commerce model, and the store can remain open 24/7 so consumers can browse your wares at their leisure.

Thanks to e-commerce, consumers can also purchase digital goods like music albums, videos, or books instantaneously, and stores can now sell unlimited copies of these digital items. This also cuts down on things like employee payroll expenses because you no longer need to have dozens of employees a week on-site to sell albums, books, or movies.

E-commerce also allows your business to scale up easier than physical retailers as they are not bound by physical limitations like inventory storage space. Of course, logistics gets

tougher as a business grows, but one can scale up its logistics, too, with the choice of the right third-party logistics provider.

Since the e-commerce merchant captures contact information in the form of email, sending out automated and customized emails is quite easy. Additionally, these businesses and metrics allow for superior store customization by using cookies and other methods of monitoring a consumer's behavior.

Because the entire supply chain can be interlinked with business to business e-commerce systems, procurement becomes faster, transparent, and cheaper, and there's no need to handle currency notes or cash, which further cuts down on costs and opportunities for accounting errors.

Finally, e-commerce allows your business to track logistics, which is key to a successful e-commerce company, as well as sell low-volume goods. Although conventional retail focuses on stocking fast-moving goods, the economics of e-commerce permits slow-moving and even obsolete products to be included in the catalog.

Cons Over Brick and Mortar Stores

While it may appear that e-commerce is the perfect choice to solve your business problems, there are still a number of disadvantages to switching from selling at a physical location to using online retail.

Many consumers still prefer visiting brick and mortar shops because of their personal touch and the relationship customers get to develop with a retail location. Additionally, many customers want to experience the product before purchase, especially when it comes to clothing, but e-commerce eliminates that luxury.

Security and credit card fraud are also huge risks when dealing with online shopping—consumers run the risk of identity fraud and other hazards as their personal details are captured by e-commerce businesses while businesses run the risk of phishing attacks and other forms of security fraud; both can suffer from credit card fraud.

As a result, consumers also fear their inability to identify scams and scammers, meaning that your website has to be extraordinarily protected and verified for most consumers to trust using it.

If shopping is about instant gratification, then consumers are left empty-handed for some time after making a purchase on an e-commerce website as they often have to either pay more for expedited shipping or wait out several days while the postal service does its job. Additionally, if they are unsatisfied with their order, many e-commerce retailers have to issue a refund, which requires your business to expand its reverse logistics functions, meaning the shipping back of goods and refunding of costs.

Speaking of costs, there's a multiplicity of regulations and taxation that comes with opening an e-commerce shop, and regulators are still not clear about the tax implications of e-commerce transactions, which is especially true when the seller and buyer are located in different territories.

Good for Consumers, Bad for Businesses

Some concerns don't necessarily fit in just the pro's or con's side of the argument—these unique issues present an advantage to shoppers and consumers while increasing difficulty for businesses, meaning that while more customers might be coming to the shop, the business is suffering in another way.

While it's easier for consumers to compare prices because of several shopping search engines and websites, sellers might find it too restrictive to their business revenues as many get filtered out of the consumer's consideration set.

Though there is nothing about e-commerce that makes it intrinsically oriented to discounts, the way online business has evolved has led to lowered prices online, which acts as an advantage for the buyer, but a disadvantage for the seller.

The consumer experiences the convenience of having goods home-delivered, but the logistics involved with delivering each individual item adds substantial strain to the e-commerce business operation, making it great for profits and customer retention but terrible for logistics and management.