SMR Product Sourcing: How Do Small Retailers Benefit From Internet Use as a Sourcing Tool?

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Abstract: This research will analyse the effect of the Internet on the B2B activities of small and medium sized retailers (SMRs), specifically those supplying electrical goods (Hi-Fi) and musical instruments. The aim is to determine whether or not SMRs are sourcing stock through the Internet or whether traditional channels continue to dominate. Evidence suggests that the larger retailers, and especially those in the grocery sector such as Tesco, have been leaders in the uptake and use of new technologies and the smaller retailers have tended to lag behind (Turnbull 2001). The analysis of this particular area summarises the current attitudes of SMRs towards sourcing online and whether or not this has become a legitimate new channel in these retail categories. Examples of best practice will then be outlined and used to assist other retailers in gaining cost advantages and/or extending their range using the Internet as a channel for sourcing product. The majority of the research previously available in this area concentrates on supermarkets (Loughlin 1999, Ring and Tigert 2001) and their B2C web sites (Småros and Holmström 2000; Ward and Lee 2000). The less visible, but potentially more profitable, B2B uses of the Internet have been researched in a theoretical context (Eid, Trueman, Abdel, Moneim, 2002; Serve, Yen, Wang, Lin, 2002) but less work has been done on the practical applications of this, especially amongst smaller retailers. Research firm Keenan Vision of San Francisco predicts that the dollar value of B2B exchange transactions will vault from $33.9 billion in 2002 to $1.3 trillion in 2004. This represents almost 12% of the U.S. gross domestic product (GDP), which the White House projects will be $10.9 trillion in 2004. This research investigates whether businesses are moving towards using the Internet as a source of stock via specifically designed e-hubs or vortals (vertical portals). Koulopoulos (2000) states that Vortals create an asynchronous (real time) and almost instantaneously responsive market that establish the ground rules for being a buyer or a seller in demand-driven value chains, thereby mediating the countless relationships between buyers and sellers. Good in theory, but are SMRs involved and do they perceive any value in being part of these systems? An exploratory study has been undertaken to establish the topic boundaries and lay the foundations for further research. In depth personal interviews took place with retailers in the north east of Scotland in the areas of electrical goods (Hi-Fi) and musical instruments, given the possible benefits that could accrue to a niche operator in either of these categories dealing in higher margin goods. The research establishes how SMRs are currently sourcing stock, whether or not they have looked at any online markets and what their experience of these has been.