

SOME DETERMINANTS OF PRODUCT SUITABILITY FOR AND COST EFFECTIVENESS OF ONLINE SALE¹

Please note that this is an *evolving list* in a rapidly changing environment.

Criterion	Issues
Value-to-bulk ratio	High value, low weight/volume items can be more readily handled and shipped. Note that “bulk” here refers to anything that makes it more difficult to handle an object—e.g., weight, size, odd shape, fragility, or hazardous material.
Absolute margin	“Absolute margin” refers to a <i>dollar</i> amount rather than a percentage. Even if the percentage margin on a high price item is low (e.g., 15%), the absolute margin can cover considerable expenses (e.g., $0.15 \times \$1,000 = \150). On the other hand, if a \$5 item is marked up 100%, that still only leaves you \$5 to work with.
Ability of consumer to evaluate quality and fit through online description.	Standard branded items from a trusted source can be more easily evaluated than items that need to be examined up close. A given model of an iPod will be the same whether bought on Amazon, Costco.com, BestBuy.com, or other reputable online dealers. The customer may already have seen a friend’s product and have decided that he or she wants one of those—thus, no additional inspection is needed prior to purchase. Clothing, in contrast, must often be inspected or even tried on.
Convenience to the customer and willingness to pay for this convenience.	Some consumers may be willing to pay more for door-to-door delivery. Some customers pay a fee to have groceries delivered. Similarly, customers may be willing to pay more to have an item mailed to them than they would pay in an inconveniently located specialty store.
Customer sensitivity to delayed delivery	The need for some products—e.g., birthday and holiday gifts—can often be anticipated in advance. For people who plan ahead, buying online can be practical.
Extent of customization needed	Customization refers to the extent to which a product must be individualized—e.g., an airline ticket must have a name, destination, departure time, and return time. An insurance premium may depend on information entered. Here, the online setting actually allows the customer to do the work, thus reducing cost.
Geographic dispersal of customers	In some cases, customers for a niche product (e.g., civil war memorabilia) may be spread over the country to the extent that a store with these items cannot be run efficiently in any one area. Thus, direct-to-customer sales may be the lesser of two evils, but the cost of distribution will be very high.
Need for assortment of variations	Some products require a large number of potential variations on the basic product. For example, a clothing item may need to be available both in different colors and sizes. For a single store location, this introduces a need to carry a large total number of items (e.g., 5 colors x 7 sizes = 35 variations). This makes it more difficult to predict the specific count required at each location, and it may require heavy use of valuable real estate to display available options.

¹ Note that suitability should be examined from the points of view of *both* the buyer and seller. In the long run, it must generally be cost effective for the seller to sell online. If fundamental value-to-bulk ratios and absolute margins cannot be achieved, customers must be charged a premium or losses have to be incurred.