

Well-funded Jet.com may be ecommerce game-changer

May 17 2015



Credit: George Hodan/public domain

Jet.com has yet to launch its online retail site to the public, but has already drawn attention as a would-be game-changer that could take on Internet giant Amazon.

Jet has raised \$220 million so far for an ecommerce service with some 1,600 retail partners, and plans to sell some 10 million products when it launches in the coming weeks.

The startup will charge \$49 a year for membership to allow consumers to get "the lowest price on anything they buy online," according to a Jet spokesman.

With Jet.com in its beta testing phase, a number of media reports showed that its prices on goods ranging from electronics to household products are lower than those of Amazon.

Jet says it sees opportunities, while downplaying the rivalry with Amazon.

"With only eight percent of retail sales currently happening online, we believe the ecommerce market still has plenty of room for new companies, innovation and growth," a spokesman told AFP by email.

"Jet isn't attempting to compete with other large e-commerce players or be crushed by them, the e-commerce market is large enough for many different companies to exist and be successful simultaneously."

Jet will use dynamic pricing which can change with the number of items placed in a basket. This is done by a team of engineers who are "constantly recalculating which seller can send that entire order to you most efficiently and cheaply," the spokesman said.

Jet is led by Marc Lore, a founder of online retailer Quidsi—including diapers.com and soap.com—sold to Amazon in 2011 for \$545 million.

Lore said in a recent blog posting that "we believe that there is big opportunity to deliver meaningful value to mass consumers by

optimizing the underlying economics of online shopping and unbundling the embedded retail costs that drive up price."

Figuring out the box

It remains unclear if Jet.com can have an impact, but Forrester Research analyst Sucharita Mulpuru says the company has a fighting chance.

"My impression is there is an opportunity for another Web player to do something disruptive and give local merchants a chance," she told AFP.

Mulpuru said Lore's previous company had a good user interface and was efficient in other areas such as "figuring out exactly what you can fit into a box."

"If anyone can pull it off, it's this guy and these investors," she said.

"They're a smart group and they know something about ecommerce. If they can just hold their own and not have a bloody financial loss day after day, they will have won."

Some analysts say it may difficult to get a toehold in a sector led by Amazon, which sells not only physical goods but connects with customers through ebooks, music, video and other services which won't be available on Jet.com.

The merchandise part of Amazon's business "has had little if any profitability," says Bob O'Donnell of the consultancy Technalysis Research.

"They've had to spend tens of millions on infrastructure. They've had to become a logistics company and the challenge for anyone entering this space is trying to figure that out."

O'Donnell said Amazon has built a loyal following with its vast array of goods—estimated at 200 million or more for US customers—as well as well-stocked inventory to enable rapid delivery.

With Amazon in the background, "it will be difficult to compete on price, and difficult to compete on service," O'Donnell said.

In another development which could impact Jet, US retail giant Wal-Mart recently announced a \$50 annual subscription service which includes three-day delivery of many goods.

Jet is also facing Amazon's \$99 Prime program which includes free delivery and a number of other services such as music and video.

Ulterior strategy?

Larry Chiagouris, a Pace University professor of marketing, said Jet is using the membership model used successful by club stores such as Costco, which could attract customers.

Chiagouris said Amazon "is not universally loved" and that some retail partners are less than satisfied with Amazon's revenue sharing.

"If I were Jet, I would see which companies are not happy, and try to assure them, and bring them in," he said.

Still, Chiagouris said the ultimate goal for Jet may not be to beat Amazon but to join them.

"It is unlikely that it will take much share from Amazon," he said.

"Rather, its strategy seems to be to build up enough business to be able to sell itself to Amazon."

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Citation: Well-funded Jet.com may be ecommerce game-changer (2015, May 17) retrieved 6 May 2024 from <https://phys.org/news/2015-05-well-funded-jetcom-ecommerce-game-changer.html>

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