

# The Sales Strategies of "Online" Stores, in the Context of Increased Competition

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## Abstract

*"Online" stores have grown in popularity all over the world. These tend to become dominant, even covering large "en-details" sales segments and some niches on the "en-gross" market. This situation forces companies to follow very carefully the competition situation, the appearance of "new players" on the online market.*

*The situations and developments of several online sales companies, which cover a large segment of the current market, were followed, as well as their management and marketing strategies, which they use to maintain and develop. Several aspects have been observed that can be used by the managers of smaller firms that have entered this market or are about to enter.*

**Key words:** internet, strategy, trade, manager

**J.E.L. classification:** M13, M15, L81

## 1. Introduction

With the outbreak of the Covid19 pandemic, the world economy as a whole and the national economies were faced with a new challenge that of selling without coming into contact with customers, of reducing contacts between sellers and customers to a minimum. The "online" Internet sales companies that had activities before the pandemic had the advantage of having everything set up, from the website, the order center, contracts and contacts with manufacturers and wholesalers, with carriers, so that they managed to cope with the high demand for products. Companies that had sales only from the warehouse or from the shelf, faced a decrease in demand, especially in the field of non-food products, which are not part of the category of those called "strictly necessary". This situation gave an impetus to companies to invest in online sales. From here, in a fairly short period of time, the number of online stores and warehouses increased, and their number is constantly increasing.

## 2. Theoretical background

From the point of view of specialized literature, in recent years there has been an increase in the number of specialized papers published in publishing houses or at international conferences indexed in databases. They deal with a wide range of situations, from sales strategies, to the hiring of specialized personnel and even aspects of sales psychology. As the producers of "online" stores appreciate (Senior, 2020), "electronic commerce is expanding and will include ever larger market segments". From here we can understand the fact that we do not yet have studies for all the situations that have appeared or may appear on the market, because it is a relatively new market, which depends on technology, on the devices and instruments that appear, but also on the applications for computer and mobile phone, which have a continuous development and complexity. Practically since the first sales on the Internet, which were made through an email order, nowadays, purchases can be made through a mobile phone application, through which payment is also made for the chosen product, from a very wide range sea of products and services. In this paper, an analysis of Internet sales is carried out for "wholesale" products, for which a series of strategies are proposed, considering the continuous increase in competition.

### 3. Research methodology

The research methodology consisted of the study of specialized works, regarding the strategies used in sales, then I studied the situation of online sales stores, in Romania and in other countries. Based on the information and data obtained, used the "concept transfer" method, which consists in taking ideas, concepts and working methods in the online environment from scientific works and real situations. Then I carried out the transfer of ideas in the field of research, for this work and looked for a solution for using the best strategies for Internet sales.

### 4. Findings

#### 4.1. The market segment for an "online" store

For this type of business, it is important to know the market segment that the management of a company wants to enter, to organize and coordinate its business. The most important "actors" for the "online" market are manufacturers (producers), importers, wholesale distributors, transporters and customers.

**A. Producers.** They are faced with a series of problems related to production, storage, transport, sales, obtaining profit and recovering investments. Any kind of business on the online market, for intermediation of business with products, must take into account the problems faced by producers, how they solve their problems related to production and storage, etc. The market segment they represent is a heterogeneous one, unevenly distributed on a territorial, zonal, county and national level, covering all categories, from small producers to large companies. Among the problems they face, the following can be listed:

- Small producers do not have the financial power to reach the big chain stores or the wholesale distributors, who will take over their products.

- Medium and large producers have problems related to transport, storage and obtaining money, in a reasonable time, to resume production and make investments.

- Many of the small and medium producers do not receive their money on time for the delivered products.

A business that depends on this kind of producers must be very well organized, coordinated and managed, in order to respond to the requirements imposed by customers, the dynamics of sales and the quick response to orders.

**B. Logistics operators.** Logistics operators or providers of logistics services, storage, storage and conservation, have developed at a sustained pace in the last 10 years in Romania. They meet the needs of business development for manufacturers and distributors. Their main problem is given by the fact that many logistics companies are concentrated around big cities and fewer in small towns or in rural areas. This means that there is a certain distance from the producers located in the localities in the depth of the territory, and this fact leads to high costs for transportation and then for storing the products. Because of this, some of the owners of the logistics centers have become buyers of many products, which they resell at certain seasonal times, against the background of the increase in demand and prices, thus leading to an increase in the price, at the time of purchase by the final buyer.

Lengthening the supply chain solves a problem for producers, but ultimately leads to higher product prices, which leads to lower demand. This results in a series of problems and difficulties for producers, who can no longer obtain the expected profits, a situation that leads to losses due to the increase in the storage period, in addition to the fact that some products spoil and thus increase losses for producers. Some of the logistics operators take advantage of the fact that producers: do not know how many such warehouses are in their area, county or region; they do not have the means of transport to transport their products to long distances, compared to the place where they have their headquarters or warehouse and from here they can increase the prices for storage, buy their products which they resell at a higher profit than the one obtained by the producers. It can be appreciated that "that's the free market", but such phenomena, in the end, have negative implications on demand and supply.

**C. Transporters.** For an “online” business, knowing and using information about carriers, creating a database with them, comes to the aid of producers and end customers, who will be able to quickly receive the products purchased from the portal of the company that makes the sales. All the more important is the fact that it is very easy to find the companies and means of transport, the closest to the place of storage of the products, at the producers or at the logistics operators, where the producers store their products. The fact that through a portal, with the purchase of the product, you can obtain the optimal method and means of transport, comes to the support of the client and practically the business depends on the carrier, so that the product reaches its destination on time. It is also important that once the product is delivered, the carrier is guaranteed to receive his money immediately.

**D. “Wholesale” importers.** They bring the products into the country, imported from abroad and which they sell directly to customers (in the case of raw materials or semi-finished products, usually processing factories), to county or local wholesale distributors, to large store chains such as “mall”, but also to small shops. They do not sell directly to private customers, due to the small quantities of products requested and the problems related to transport.

#### 4.2. Competition and current challenges

For such a business, at present, it can be appreciated that there is already competition, and this is no longer only at the national level, but also at the international level, because a customer can buy directly from a manufacturer or distributor from abroad and offers the guarantee that he can receive the purchased product at home. The competition for such a business must be understood by following and analyzing the situations of the following economic entities:

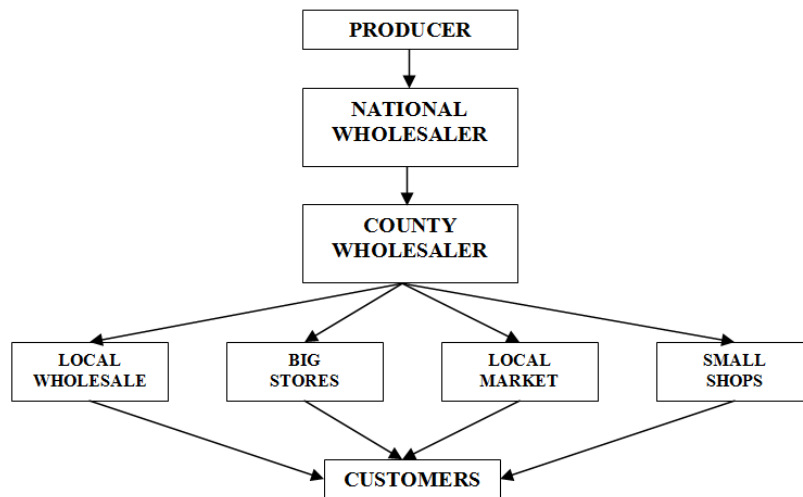
**1. The large national chains of stores of the “mall” type.** These are the ones that take over large quantities of products, directly from the producers, with payment after the sale or on time. Large store chains have a national level distribution, usually in big cities, county seat, but also in other big cities in the province. For certain products, they offer the possibility of online purchases. From the estimate of the reported turnover, even if there is no detailed information, it can be appreciated that they will invest and increase the online sales capacity of the products they offer on the shelf. For this study, we followed the situation of the following store chains: Cora, Kaufland, Lidl, Mega Image, Metro, Penny, (Cora, 2022), (Kaufland, 2022), (Lidl, 2022), (Mega Image, 2022), (Metro, 2022), (Penny, 2022).

**2. Importers.** Against the backdrop of the decrease in national industrial and agricultural production, importers have taken over the role of intermediaries for all types of products, from food to materials, machines and installations. They use partnerships for the distribution of imported products to large stores, wholesale distributors and even directly to stores. We analyzed the situation from the following companies: Aliadi and BTF Grup General, (Aliadi, 2022), (BTF, 2022).

**3. The local market.** This is represented by the agri-food markets and various products, in cities and in larger rural localities. Within them there are shops and stalls of producers or distributors, alongside those of small traders, natural or legal persons. These markets still have a large share in the purchase of food and non-food products, by customers with low and medium incomes, in most localities in the country. Even if the large stores have started to be sought after, these markets still constitute themselves as real competitors for online stores.

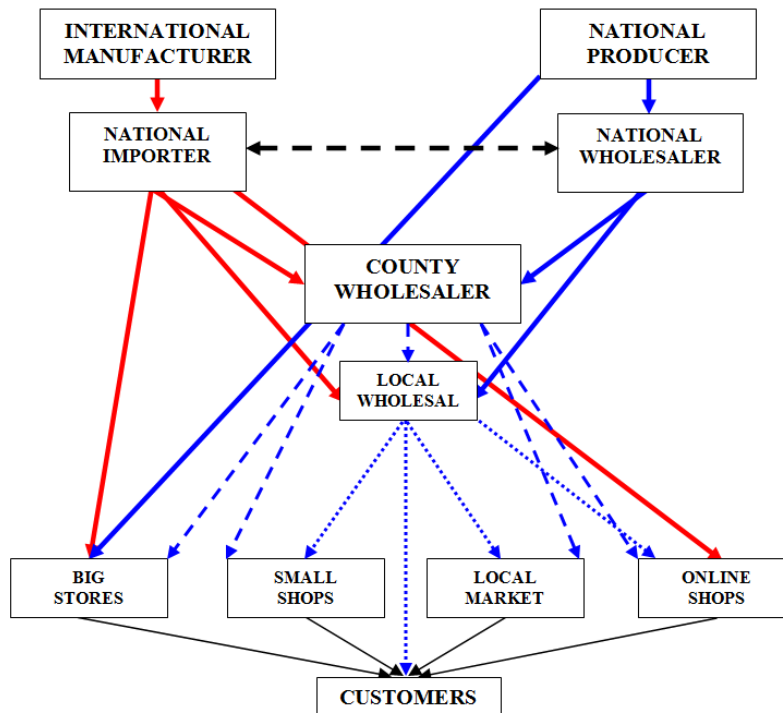
**4. Wholesale deposits.** At the national level and in each county, there are the headquarters of some companies whose object of activity is the purchase of products in large quantities, from producers or importers, which they then distribute to stores or agri-food markets. Among them are a number of product importers, who also purchase products from local or national producers. Compared to what we call “classic trade”, figure 1, we can see a change in the way transactions are carried out, which differs from the “classic” one and which can be called a “cross trade”, figure 2.

Figure no. 1. “Classic” trade



Source: Author's study

Figure no. 2. Modern “cross” trade



Source: Author's study

**5. Online stores.** The competition of some online stores, with a similar or close object of activity, which addresses the same producers and customers, is in full development. Some of these stores have concluded framework contracts with the manufacturers and based on the orders they receive from customers, they request the products from them, hire the means of transport and send them to the customers. Customers pay for products and shipping online, at the time of purchase or when they arrive at their destination. Another category of online stores, they only sell information about manufacturers and products, the so-called "information brokers", such as: “Market” Magazine and Olx, (Market, 2022), (Olx, 2022).

### 4.3. Managerial strategies for “online” sales

In order to understand the strategies that companies must adopt and managers must manage, several aspects must be followed, as follows:

**A. Service and pricing policy.** This consists in connecting, indirectly, producers, storage and transport service providers, with customers (final beneficiaries). The products can be found at the manufacturer, importer, wholesale distributor or at certain stores, from the own chain of stores or from partners. An online sales company must enter into partnership contracts with everyone and when the customer places an order, it sends the order to the person who owns the product, who then transfers it to the customer.

With the help of the website or the portal, customers will find a series of information shared as follows: product presentation, prices for each individual product. Customers can benefit from the following facilities:

- To choose their products, depending on the quality or brand.
- To choose the products according to their prices, from the cheapest to the most expensive, which are presented on the page.

- To make the payment online, from his bank account, to the company's account.

The online sales company can perform the following operations and activities:

- Apply the commercial surcharge and VAT to the product.
- Collect the money for the product and then transfer the price of the product requested by the manufacturer.

- If the product is in its warehouse, prepare the product to be delivered. If the product is in the warehouse of the manufacturer, importer or wholesaler, they will prepare the product for delivery, to the company or directly to the customer, as established by the contract.

- The online sales company hires the necessary means of transport, groups' deliveries from the same locality or from a certain region, for a single distribution transport, with the aim of reducing transport costs.

- Along with the product, it sends the accounting and accompanying documents to the customers.

The carrier, together with the delivery of the products, requests and receives the price for the transport, directly from the customer, when he makes the payment for the product. A number of online stores separate the shipping payment, so the carrier receives the shipping payment when they deliver the product to the customer.

- The company does not intervene regarding the price for storage or transport. He can only increase or decrease the commission he applies to each product. But, any kind of intervention on the price of the product will lead to an increase in the price for the final customer. That is why pricing policy is essential for this type of business.

**B. Distribution policy.** An online sales company can use the following distribution policy:

- The customer is the one who accesses the internet page and enters it until the product he wants to purchase.

- The customer chooses the product, makes the payment and sends his contact details. Then he receives a message from the company regarding the estimated date for the delivery of the product to his home. During this time, the company contacts the owner of the product and arranges the transport.

In practice, the online sales company mediates transactions with products, to which it adds a commission and offers the guarantee of the collection of money by producers or importers, and logistics operators and carriers are protected from non-payment situations, which occur in other types of commercial transactions.

**C. Managerial analysis of the business.** In order to establish the strategies it can follow, an online sales company has several managerial tools at its disposal, of which the easiest to use is the SWOT type analysis (Bacanu, 2006), which appreciates that “for an effective use of the SWOT analysis, it is necessary to know its theoretical and practical limitations”. It can be appreciated that such a business, of this type, needs a SWOT type analysis, even under certain conditions, because it is easy to understand and use by managers who do not have specialized economic training (management or marketing). For this type of business, the following aspects can be considered:

**I. The positive aspects.** They can be classified as follows:

1. New business, launched on the Internet, targeting a very large number of manufacturers, logistics operators and carriers.
2. Free access to information and products for natural and legal customers.
3. It allows a very large number of clients to access information and data.
4. The majority use of the online menu, for purchases and making payments.
5. Optimized prices, lower than those in regular stores, which have a reduced commercial markup (5-10%).
6. It offers the possibility to easily find a product, a warehouse and a means of transport, all on the same page.
7. It provides the quick receipt of the response regarding the orders launched, the price and the means of transport.
8. Provides the guarantee of making payments for product purchases, for the rental of storage spaces and means of transport.
9. Excludes the situation in which a legal person, declared insolvent or in which the liquidation or bankruptcy procedure has been initiated, can purchase the products, whose accounts are blocked.
12. It guarantees the customer's receipt of the requested products, at the time sent by the carrier.
13. Offers the possibility of returning products that contain hidden defects or are of lower quality than those for which payment was made.
14. Provides a legal framework for carrying out transactions, presents guarantees for the protection of personal and company data.

**II. Negative aspects.** Like any kind of business, starting from scratch, the following aspects must be considered:

1. Very big investment. At the very beginning, the investments will be borne from the income of the sole owner, associates or shareholders for:
  - Purchases of: electronic equipment, computer programs, communication equipment, vehicles, office equipment, furniture, etc.
  - Payment of market studies.
  - Payment of court fees for establishment.
  - Payment of the accounting service, payment of salaries, fees and taxes.
  - Administrative expenses, telephone, fuel, travel, bank fees, etc.
2. The time required to create the website. A long duration of time is estimated for the creation of the database and the website, depending on the number of specialized people employed by the company to create them.
3. Dependence on carriers. The dependence on the means of transport of the carrier partners is given by the fact that they must respond promptly to the requests of the customers. Any kind of delay in transport can lead to the loss of customers, problems and conflicts between partners.
4. Competent staff. The difficulty of finding and hiring specialized, competent people who remain loyal to the company.
5. It is the type of "directors' company", that is, the activities require the employment of a large number of employees in managerial positions, which leads to very high costs with salaries.
6. Collaboration with partners. It is estimated that there will be difficulties in convincing producers and large customers to become partners of the company, to conclude collaboration contracts and, above all, to respect them. An important role will be played by the representatives of the company who will contact and then negotiate with them, because the style of the negotiator and his way of being can influence the conclusion and maintenance of contracts.

**III. Threats.** They must be analyzed and understood in the context of the general affairs of the national economy, but also geopolitically, in this region, because they can influence the development of the business or, on the contrary, bankruptcy. Among the most important threats can be listed:

1. The stability of large customers. One of the most important strategies is to keep big customers (big stores, factories) to use the company's website for their purchases. The predictability of customer stability is very important to ensure constant profit, to cover the company's operating costs and to be profitable. Even if partnership contracts will be concluded, with firm contractual clauses, they do not offer the guarantee that these large customers will make

purchases only with the help of the company's page, considering the competition that already exists at the national level, in different product categories.

2. The problem of transport. It is possible that as the number of individual clients increases, especially in certain seasonal periods (autumn, before public holidays). This situation is favorable for the company, but it will require a large number of means of transport, which will lead to certain logistical problems, both for producers and, above all, for transporters. If the grouping of products is chosen to be transported when loading a means of transport, it is possible that the duration to reach the destination will be longer, which may lead to the loss of customers, who have been waiting for the products to reach them within a reasonable time.

3. Loyalty of partners and customers. A predictable and possible situation is that after the first sale, producers and beneficiaries can collaborate directly with each other, without using the internet page, with the idea of “saving” the commission, VAT payment and even “doing business at black market”. Another situation is that they can stay on the site, trade a much smaller amount of products and directly purchase a much larger amount. In this way, they remain partners, to have easy access to information, to receive the financial-accounting documents for part of the purchased products, but they will pay less for the transactions carried out.

4. The commercial addition. The small commercial add-on, promoted by the company, requires a very large number of transactions to be able to cover the operating costs and obtain a profit. From here it follows that the best option must be chosen, in order to ensure the existence of the company and the obtaining of profit. This means that, from the launch of the business, a very large number of producers and beneficiaries must be registered in the database, who must be convinced to use the company page.

5. Inflation. For the next period, the biggest threat is inflation and uncertainties regarding the evolution of the national economy, which have direct influences on production and transport in particular. A rising inflation will make producers artificially increase prices, due to fears that it will rise even more, and products sold at a lower price will lead to big losses. Also, the purchasing power of the population will decrease, which will have the following negative effects:

- It leads to a decrease in the demand for products.

- Decreases the number of transactions per page.

- Customers will look for solutions to eliminate intermediaries, in order to maintain price control.

In such a period of crisis, as a rule, the first to disappear from the market are the intermediaries.

6. Government programs. There is a possibility that for some of the producers in agriculture and the food industry, through programs financed from the State Budget, a series of presentation and retail stores for small producers will be created. Such an investment by the state, if it will be realized in every county, will represent a strong competitor for all business intermediation firms with products sold over the Internet.

7. The risk of minimizing expenses. Considering the objectives of such a business, the estimated costs and the number of people that must be employed, there is a tendency for some managers to seek to minimize costs and investments, according to the aphorism “seeing and doing”, which can lead to the following situations :

- Employing people who accept salaries below their level of professional training. This may mean that the respective persons are not trained at a high level in their profession and that they accept a salary below the level of the position. But also the fact that very well professionally trained people agree to get hired and work for a period of time, until they find another better paying job.

- Postpone the purchases of equipment, installations and materials, considering that they are of little importance

**IV. Opportunities.** Regardless of the state of the national economy and the fiscal legislation, there are still a number of opportunities that companies can use to develop and obtain profit. For this type of company, the following opportunities can be estimated:

1. Large number of manufacturers. It is estimated that the number of producers in Romania will increase, especially regarding agricultural and food products. Considering the granting of financing for small producers, from governmental and European funds, for investments and ensuring production, it can be appreciated that domestic production will increase in certain segments and

from here, the need to sell and distribute will also increase, so that the products reach the beneficiaries in a reasonable time, and the producers obtain a real profit, which will allow them to make new investments and develop.

2. Very large number of beneficiaries. The opportunity is particularly given by the fact that there are localities in the country, which do not have easy access to online product purchases, where the products purchased via the Internet are difficult to reach and which still prefer to go to the agri-food market or to the shops, for to shop for consumer goods. This situation represents an opportunity in that such a company offers the possibility of choosing the product from the place closest to the customer, then the most convenient means of transport and there is a guarantee of receiving the product on time.

3. Providing business consultancy. Such a firm, which has a database with a large number of partners, can offer consultancy for those partners who do not have sufficient information about the market, about prices, storage and transport. This is an opportunity for partners, because the costs to obtain this consultancy can be high and small producers, in particular, cannot afford to request this type of service from companies that offer them a fee, and the company can offer it for free, in order to maintain and retain its partners. The company of this type of “directors” has specialized staff that can offer this consultancy. In this way, the social responsibility of the company is no longer just a theory, but becomes a reality.

**D. Management strategies.** Managers must understand that the company's strategy aims to obtain a competitive advantage in accordance with its mission (Iordanoaia, 2012), that is, they must consider the future period of activity, for a term of 3-5 years, to contain the essential elements with a focus on the company's major developments. One of the basic ideas for defining a company's strategy is that of “not engaging the fight, except on the ground where it has assets” (Ciobanu, 1998).

Following the way of carrying out the SWOT type analysis, I believe that the management strategies must be designed starting from the positive aspects, presented previously. Among these, a few managerial strategies can be chosen as follows:

1. Attracting a very large number of partners and customers. The business must address a very large number of producers, logistics operators, transporters and customers. From here, the marketing plan for searching, finding and attracting them to the business must be designed.

2. The internet page – the engine of the business. Creation of a website that provides free access to information about products and complementary services, for all partners and customers. The website must have a name that is easy to remember, that can be accessed from a computer, tablet and phone, in a simple way, for posting offers and for placing orders. It must also offer the possibility of online payments.

3. Price flexibility. Depending on the evolution of sales, the company must establish a strategy to design and optimize prices and, above all, to quickly change them in order to stimulate demand from customers. Cheap products = small commercial markup to stimulate a large number of transactions. Expensive products = high commercial addition, leads to low number of transactions.

4. Correctness of transactions. Through the partnership contracts, the way of creating the page, the company must offer the guarantee of the correctness of the transactions, of the fact that the customers, as well as the producers and the transporters will receive their payment, at the terms established by the contracts or upon the delivery of the products at their destination. Fairness means respect for partners and this, in the medium and long term, will lead to the growth of the company's reputation. It also intervenes when the products have deficiencies, when it is necessary to return them and send a corresponding product or return the money. All fees and taxes to the state will be paid on time, to avoid any situation of fiscal evasion.

Depending on the evolution of the company and the market, the strategies can adapt or change, constantly aiming for the company to be one step ahead of the competition, in terms of adapting to changes in the economic environment, to the introduction of new technologies and above all, to have as employees, the best professionals in the field.

**E. Marketing strategies.** These can be established through the annual marketing plan, through the long-term plan and through the strategic plan (Kotler et.al, 1999), which involves the following stages since the establishment of the company:



1. Carrying out a Marketing study. A Marketing or market study, which the company must do, with the help of its own employees or through a specialized company. The company can use its employees, if they have specialized studies and have experience in conducting market research, because the main strategic directions of action will depend on the results of this study.

2. Promotion of the website. After the market study, it is necessary to establish the promotion strategy. This may include the following elements: advertising, personal contacts, page promotion, advertising, direct public relations, participation in trade fairs and profile exhibitions. As a rule, the means of promotion that a company of this type can use are the following: presentation catalogs; organization of stands at fairs and exhibitions; advertising on radio, TV and print media; presentation on social media pages; the use of a “call-center”, through which potential clients are searched, etc. This activity can be carried out on a local, county, regional and national level.

3. Monitoring the competition situation. The analysis of the competition is necessary to be able to develop marketing strategies efficiently (Kotler et.al, 1999), to be able to permanently compare the products, prices, distribution and promotion channels, with those of the competition. In this way, “areas of competitive advantage or disadvantage” can be discovered. From here, the company can better organize its activities, optimize or reduce costs, adapt to the market, adapt the promotion, find the market segments that bring it profit and in this way reduce the impact of the competition.

These marketing strategies can be supplemented and adapted to the market situation, to the appearance of new competitors and to changes in the attitude and behavior of consumers.

## 5. Conclusions

This type of business primarily depends on the technology part for the Internet and the specialized programs for creating a database, the presentation page and for making transactions.

Secondly, the component related to human resources is very important, because it requires a higher specialized training, and a large number of employees will occupy management positions within the company.

Thirdly, the final goal of developing strategies is to obtain a competitive advantage, which will mean that the company has provided high-quality services, which matter to partners and clients, who can constantly compare them with those offered by the competition.

Finally, the company must pursue innovation in this field, the one that will guarantee profit and stay in business.

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