

COLUMNS

Will the FCC's net neutrality rollback cripple online retail?

July 27, 2017



Douglas Baldasare is founder/CEO of ChargeItSpot

By **Doug Baldasare**

Subscribe to **Luxury Daily**
Plus: Just released
State of Luxury 2019 **Save \$246 ▶**

The Federal Communications Commission (FCC) in May **voted 2-1 to overturn** the Open Internet order, a law put into place by the Obama administration that made the Internet a public utility.

The vote will unravel the current net neutrality rules, opening the door for Internet service providers (ISPs) to create and charge for **"fast lanes,"** where companies pay telecoms providers to deliver their services faster and better than the competition. Those fees would then be passed on to the consumer and, meanwhile, the ISPs gain financially.

So what exactly does the FCC ruling mean for online retail? Here are three things that retailers should know.

Non-neutrality creates an online caste system for retailers

For retailers, the repercussions from a loss of net neutrality could be catastrophic.

"Non-neutrality" abolishes the level playing field that exists among every online business today. This means that smaller retailers will have to **pay "tolls"** to telecoms giants to compete with larger, resource-rich competitors.

As it stands, any retailer that registers a Web site can **theoretically achieve the same visibility** and service speed afforded to major players such as Walmart, Amazon, Best Buy and others of that caliber.

With net neutrality gone, most smaller online retailers will have a tough time competing with larger corporations and will watch their service speed and display quality plummet.

As a result, consumers who do not want to visit slow-loading retailer Web sites will take their traffic elsewhere, relegating smaller retailers to the bottom of the customer barrel.

Rollback will stifle small retailers' ability to deliver rich media experience

The repeal of net neutrality is also a problem for smaller online retailers who are dependent on bandwidth-intensive rich media to deliver a better customer experience.

A tiered Internet will require these companies to pay more to provide consumers with online experiences that have **minimal latency, speedy video load times and overall good quality display.**

In a non-neutrality scenario, the Big Box corporations will set the bar on pricing depending on their agreements with ISPs. If that bar is too high and SMBs cannot compete monetarily, they will have to eliminate rich media experiences from their sites altogether. The resulting online retailer ecosystem will become a homogenous, low-res experience.

Non-neutrality's effect on retailers' online advertising and marketing

A world of non-neutrality will also have an adverse effect on retailers' long-term online marketing and advertising efforts.

Small businesses that depend on affordable and sometimes geo-local ads to spread business awareness via pre-roll spots on sites such as YouTube and Hulu will be in a world of hurt.

If ISPs are **given free rein** to charge for online content delivery, that cost is passed on to the advertiser. And while brand giants may not have a problem with mitigating those costs, smaller retailers will find themselves taking yet another financial hit. They will be paying for **individual pre-roll, as well as the bandwidth to stream them**.

THE FCC'S vote to overturn net neutrality means that smaller retail will have to change their strategies. It is going to be up to them to figure out a way to stay afloat as the bigger brands excel.

Understanding the effects of this ruling will help them better prepare for the future.

*Douglas Baldasare is founder/CEO of **ChargeItSpot**, Philadelphia. Reach him at douglas.baldasare@chargeitspot.com.*

© 2020 Napean LLC. All rights reserved.

Luxury Daily is published each business day. Thank you for reading us. Your **feedback** is welcome.