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Basic Concept of E-Commerce

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INTRODUCTION

Transacting or facilitating business on the Internet is called ecommerce. Ecommerce is short for "electronic commerce." Interestingly, I am credited with teaching ecommerce at the business school at the University of Texas at Austin, far before the term "ecommerce" was invented. So, I have had the opportunity to see the earliest versions of ecommerce in the late 80's and early 90's. Popular examples of ecommerce revolve around buying and selling online.

But the ecommerce universe contains other types of activities as well. Any form of business transaction conducted electronically is ecommerce.

Examples of Ecommerce

- **Online Shopping**
  Buying and selling goods on the Internet is one of the most popular examples of ecommerce. Sellers create storefronts that are the online equivalents of retail outlets. Buyers browse and purchase products with mouse clicks. Though Amazon.com is not the pioneer of online shopping, it is arguably the most famous online shopping destination.
- **Electronic Payments**
  When you are buying goods online, there needs to be a mechanism to pay online too. That is where payment processors and payment gateways come into the picture. Electronic payments reduce the inefficiency associated with writing and mailing checks. It also does away with many of the safety issues that arise due to payment made in currency notes.
- **Online Auctions**
  When you think online auction, you think eBay. Physical auctions predate online auctions, but the Internet made auctions accessible to a large number of buyers and sellers. Online auctions are an efficient mechanism for price discovery. Many buyers find the auction shopping mechanism much interesting than regular storefront shopping.
- **Internet Banking**
  Today it is possible for you to perform the entire gamut of banking operations without visiting a physical bank branch. Interfacing of websites with bank accounts, and by extension credit cards, was the biggest driver of ecommerce.
- **Online Ticketing**
  Air tickets, movie tickets, train tickets, play tickets, tickets to sporting events, and just about any kind of tickets can be booked online. Online ticketing does away with the need to queue up at ticket counters.

Types of Ecommerce

Ecommerce can be classified based on the type of participants in the transaction:

- **Business to Business (B2B)**
  B2B ecommerce transactions are those where both the transacting parties are businesses, e.g., manufacturers, traders, retailers and the like.
- **Business to Consumer (B2C)**
  When businesses sell electronically to end-consumers, it is called B2C ecommerce.
- **Consumer to Consumer (C2C)**
  Some of the earliest transactions in the global economic system involved barter -- a type of C2C transaction. But C2C transactions were virtually non-existent in recent times until the advent of ecommerce. Auction sites are a good example of C2C ecommerce.

Benefits of Ecommerce

The primary benefits of ecommerce revolve around the fact that it eliminates limitations of time and geographical distance. In the process, ecommerce usually streamlines operations and lowers costs.

Specialized Forms of Ecommerce

On some platforms, ecommerce has shown the promise of explosive growth. Two such examples are:

- **M-Commerce**
  Mcommerce is short for "mobile commerce." The rapid penetration of mobile devices with Internet access has opened new avenues of ecommerce for retailers.
- **F-Commerce**
  Fcommerce is short for "Facebook commerce." The immense popularity of Facebook provides a captive audience to transact business.

Despite this discussion, at the consumer level, online retail has become synonymous with ecommerce.

Understanding Different Types of E-commerce Businesses

- SHARE
- PIN
- EMAIL

Classifying e-commerce businesses is tricky. We run the risk of turning it into an inconsequential exercise, or we could end up splitting hair. To grasp a deeper understanding of e-commerce concepts, it is important to ascertain the basis and purpose of classifying e-commerce businesses into types.

The two parameters of classifying e-commerce businesses that make the most sense are:

1. type of goods sold
1. nature of participants

Classifying Ecommerce Business Based on Type of Goods Sold

E-Commerce businesses sell:

- Physical goods, e.g., books, gadgets, furniture, appliances, and the like
- Digital goods, e.g., software, ebooks, music, text, images, video and the like
- Services, e.g., tickets, insurance, and the like.

The reason such classification is important is that it gives the analyst an insight into the business model and financial model of the business. For instance, the logistics of delivering the physical

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goods can be a huge challenge for some businesses. Sellers of digital goods do not face that problem. When it comes to selling tickets, there are many parameters that need to be evaluated in real time, e.g., in the case of air tickets: availability, location of seats, meal preferences, refundable vs. nonrefundable tickets, and much more.

Classifying Ecommerce Business Based on Nature of Participants

The two most common participants in e-commerce are businesses and consumers.

Based on this we can come up with four primary e-commerce types:

1. **Business to Business E-commerce (B2B E-commerce)**
   In this type of e-commerce, both participants are businesses. As a result, the volume and value of B2B e-commerce can be huge. An example of business to business e-commerce could be a manufacturer of gadgets sourcing components online.
2. **Business to Consumer Ecommerce (B2C Ecommerce)**
   When we hear the term e-commerce, most people think of B2C e-commerce. That is why a name like Amazon.com pops up in most discussions about e-commerce. Elimination of the need for physical stores is the biggest rationale for business to consumer e-commerce. But the complexity and cost of logistics can be a barrier to B2C e-commerce growth.
3. **Consumer to Business Ecommerce (C2B Ecommerce)**
   On the face of it, C2B e-commerce seems lop-sided. But online commerce has empowered consumers to originate requirements that businesses fulfill. An example of this could be a job board where a consumer places her requirements and multiple companies bid for winning the project. Another example would be a consumer posting his requirements of a holiday package, and various tour operators making offers.
4. **Consumer to Consumer Ecommerce (C2C E-commerce)**
   The moment you think of C2C e-commerce eBay.com comes to mind. That is because it is the most popular platform that enables consumers to sell to other consumers. Since eBay.com is a business, this form of e-commerce could also be called C2B2C e-commerce (consumer to business to consumer e-commerce)

Employees can be regarded as a special type of consumer. That would give rise to a new type of e-commerce: B2E (Business to Employee e-commerce).

Likewise if we consider Government to be separate entity, as also Citizens, we can come up with many more types of e-commerce: B2G (Business to Government), G2B (Government to Business), G2E (Government to Employee), G2G (Government to Government), G2C (Government to Citizen), C2G (Citizen to Government).

Types of Ecommerce Businesses Based on the Platform

Setting up shop on Face book is a fast-growing e-commerce segment so it has been awarded its very own bit of jargon: f-commerce.

Likewise, m-commerce stands for mobile e-commerce.

Conclusion

There is a lot of value in being clear about the type of e-commerce business one is talking about. Among other benefits, it allows us to make like-to-like comparisons across e-commerce businesses. At the same time, it helps us better understand the business model of different e-commerce players.

Business to Business (B2B) Ecommerce: The Silent Giant

Understand the Dynamics, Rationale, and Challenges of B2B Ecommerce

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Business to Business Ecommerce.

E-commerce

- Trends and Issues
- Basics
- Strategy
- Marketing
- Finances
- Book Reviews

There are many types of ecommerce. But the most popular is business to business ecommerce.

When both parties involved in an ecommerce transaction are businesses, we call it business to business ecommerce, or B2B ecommerce for short. While mainstream media finds it more exciting to report about developments in business to consumer (B2C) ecommerce, the bulk of transactions, as measured by dollars transacted, take place in the B2B space.

The Drivers of Business to Business Ecommerce

The primary drivers responsible for the popularity of B2B ecommerce are:

Optimize Procurement

If you are a manufacturer and need a steady supply of raw material, you need to maintain large, and expensive, inventories to ensure that you do not run out of raw material. This is because if you order at the last minute, your raw material supplier might not have enough stocks to supply you in time.

Also, you will need to maintain a large procurement team so that they can interact with multiple suppliers to procure the right quantity, quality, and price. And to account for all this, you will need a strong accounting team that can reconcile data with your vendors.

But that was the old style of working. Enter the world of B2B ecommerce. If you are electronically connected to your suppliers, you can:

- Lower inventories
- Get the best prices
- Reconcile accounts in real time

For instance, your system could constantly monitor the inventory level of your raw material as well as the inventory level of your supplier. At the right time, your system could automatically trigger an order to the best supplier. This alone is such a great benefit that it justifies investing in business to business ecommerce infrastructure.

Sales Channel Partners Management

If you use agents, affiliates, distributors or other channel partners to help you sell, you know that managing the sales channel can be a nightmare. But online B2B transactions have helped streamline the process.

By integrating your accounting system with that of your channel partners, you can make sure that there will not be any large scale reconciling process later. In addition, you can monitor the sales and inventory levels in real time to make appropriate channel decisions.

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Order Fulfillment

If your third party logistics provider did not provide you with a platform to place orders and monitor delivery, you would lose control over your logistics. As customers demand faster and more accurate delivery cycles, your ability to manage logistics can be a key differentiator and competitive advantage. Hence B2B systems that enable and monitor order fulfillment are indispensable.

How Does B2B Ecommerce Yield Benefits?

At its core, business to business ecommerce helps because of two primary processes:

It Enables Data Exchange

As a faculty member of Information Systems at the University of Texas at Austin in 1992-93, I would teach about EDI (Electronic Data Interchange).

At that point of time, no one had heard of the term ecommerce. Indeed EDI was one of the earliest types of ecommerce.

Being able to transmit and synchronize data electronically is at the heart of all the benefits that B2B ecommerce provides.

It Reduces Cycle Time

As a consequence of real-time data exchange, comparison and monitoring algorithms, and auto-triggered business processes, cycle times have been reduced substantially. In turn, this has led to higher productivity, lowered costs, improved quality, and faster delivery.

Who Sets Up B2B Ecommerce Websites?

Any business can set up a B2B ecommerce website.

And if the business is not big enough to have their own online B2B setup, they can participate as vendors in online marketplaces.

Buyers

If you are a buyer, you can set up a website where you post your requirements, and sellers send in proposals. This would make sense for large buyers.

Sellers

As a large seller, you can set up a B2B ecommerce website where buyers browse through your offerings and place orders. This sort of ecommerce has many similarities with B2C (business to consumer) ecommerce.

Marketplaces

Marketplaces are intermediaries that attempt to match buyers and sellers. Unlike a handful of large buyers and sellers, most businesses find it easier to transact at marketplaces.

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