Electronic commerce

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(Redirected from Ecommerce)

Electronic commerce, commonly known as **e-commerce** or **eCommerce**, consists of the buying and selling of products or services over electronic systems such as the Internet and other computer networks. The amount of trade conducted electronically has grown dramatically since the spread of the Internet. A wide variety of commerce is conducted in this way, spurring and drawing on innovations in electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange (EDI), inventory management systems, and automated data collection systems. Modern electronic commerce typically uses the World Wide Web at least at some point in the transaction's lifecycle, although it can encompass a wider range of technologies such as e-mail as well. e-commerce is buying things from the internet but many people are unsure about its reliabilty as there are many unreputable vendors.

A small percentage of electronic commerce is conducted entirely electronically for "virtual" items such as access to premium content on a website, but most electronic commerce involves the transportation of physical items in some way. Online retailers are sometimes known as **e-tailers** and online retail is known as e-tail. E-commerce or electronic commerce is generally considered to be the sales aspect of e-business.

Electronic commerce

Online goods and services
Streaming media
Electronic books
Software

Retail product sales
Online shopping
Online used car shopping
Online pharmacy

Retail services
Online banking
Online food ordering
Online flower delivery
Online DVD rental

Marketplace services
Online trading community
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History

Early development

The meaning of "electronic commerce" has changed over the last 30 years. Originally, "electronic commerce" meant the facilitation of commercial transactions electronically, using technology such as Electronic Data Interchange (EDI) and Electronic Funds Transfer (EFT). These were both introduced in the late 1970s, allowing businesses to send commercial documents like purchase orders or invoices electronically. The growth and acceptance of credit cards, automated teller machines (ATM) and telephone banking in the 1980s were also forms of e-commerce. From the 1990s onwards, e-commerce would additionally include enterprise resource planning systems (ERP), data mining and data warehousing.

Perhaps the earliest example of many-to-many electronic commerce in physical goods was the Boston Computer Exchange, a marketplace for used computers launched in 1982. The first online information marketplace, including online consulting, was likely the American Information Exchange, another pre-Internet online system introduced in 1991.

Web development

When the Web first became well-known among the general public in 1994, many journalists and pundits forecast that e-commerce would soon become a major economic sector. However, it took about four years for security protocols (like HTTPS) to become sufficiently developed and widely deployed. Subsequently, between 1998 and 2000, a substantial number of businesses in the United States and Western Europe developed rudimentary web sites.

In the dot com era, e-commerce came to include activities more precisely termed "Web commerce" -- the purchase of goods and services over the World Wide Web, usually with secure connections, with e-shopping carts and with electronic payment services such as credit card payment authorizations.

Although a large number of "pure e-commerce" companies disappeared during the dot-com collapse in 2000 and 2001, many "brick-and-mortar" retailers recognized that such companies had identified valuable niche markets and began to add e-commerce capabilities to their Web sites. For example, after the collapse of online grocer Webvan, two traditional supermarket chains, Albertsons and Safeway, both started e-commerce subsidiaries through which consumers could order groceries online.

The emergence of e-commerce also significantly lowered barriers to entry in the selling of many types of goods; many small home-based proprietors are able to use the internet to sell goods. Often, small sellers use online auction sites such as eBay, or sell via large corporate websites like Amazon.com, in order to take advantage of the exposure and setup convenience of such sites.

$259 billion of online sales including travel are expected in 2007 in USA, an 18% increase from the previous year, as forecasted by the "State of Retailing Online 2007" report from the National Retail Federation (NRF) and Shop.org.[1]

Currently there are 67 Fortune 1000 companies that have ecommerce revenues greater than $10 million. The 5 largest Internet retailers are Amazon, Staples, Office Depot, Dell, and Hewlett Packard. This indicates that the top categories of products sold on the Internet are books, music, office supplies, computers, and other consumer electronics. A list of Fortune 1000 companies ranked by ecommerce revenues can be found on AListNet. [2]

Timeline

- 1990: Tim Berners-Lee wrote "The WorldWideWeb browser" using a NeXT computer.
- 1994: Netscape released the Navigator browser in October under the code name Mozilla. Pizza Hut offered pizza ordering on its Web page. The first online bank opened. Attempts to offer flower delivery and magazine subscriptions online. "Adult" materials were also commercially available, as were cars and bikes. Netscape 1.0 in late 1994 introduced SSL encryption that made transactions secure.
- 1995: Jeff Bezos launched Amazon.com and the first commercial 24 hr. internet only radio stations "Radio HK" and NetRadio started broadcasting. Dell and Cisco began to aggressively use Internet for commercial transactions. eBay was founded by computer programmer Pierre Omidyar as AuctionWeb.
- 1998: Electronic postal stamps can be purchased and downloaded for printing from the Web.
- 1999: business.com was sold for US $7.5 million (purchased in 1997 for US $150,000) The peer-to-peer filesharing software "Napster" was launched.
- 2000: The dot-com bust.
- 2003: Amazon.com: first-ever full-year profit.

Government Regulations

In the United States, some e-commerce activities are regulated by the Federal Trade Commission (FTC). These activities include the use of commercial e-mails, online advertising and consumer privacy. The CAN-SPAM Act of 2003 establishes national standards for direct marketing over e-mail. The Federal Trade Commission Act regulates all forms of advertising, including online advertising, and states that advertising must be truthful and non-deceptive. [3] Using its authority under Section 5 of the FTC Act, which prohibits unfair or deceptive practices, the FTC has brought a number of cases to enforce the promises in corporate privacy statements, including promises about the security of consumers’ personal information.[4] As result, any corporate privacy policy related to e-commerce activity may be subject to enforcement by the FTC.

Forms

Contemporary e-commerce involves everything from ordering "digital" content for immediate online consumption, to ordering conventional goods and services, to "meta" services to facilitate other types of e-commerce.

Success factors

In many cases, an e-commerce company survives not only based on its product, but through a competent management team, post-sales services, well-organized business structure, network infrastructure and a secured, well-designed website. The factors can be divided between technical or organization aspects and direct service to the consumer.

Technical and organizational aspects

1. Sufficient work done in market research and analysis. Like traditional models, e-commerce implicates good business planning and the fundamental laws of supply and demand.
2. A good management team armed with information technology strategy. A company's IT strategy can involve the business re-design process.
3. Providing an easy and secured way for customers to effect transactions. Credit cards are the most popular means of sending payments on the internet, accounting for 90% of online purchases. In the past, card numbers were transferred securely between the customer and merchant through independent payment gateways. Such independent payment gateways are still used by most small and home businesses. Most merchants process credit card transactions on site through arrangements made with commercial banks or credit cards companies.
4. Providing reliability and security. Parallel servers, hardware redundancy, fail-safe technology, information encryption, and firewalls can enhance this requirement.
5. Providing a 360-degree view of the customer relationship, defined as ensuring that all employees, suppliers, and partners have a complete view, and the same view, of the customer. However, customers can react against a big brother experience.
6. Constructing a commercially sound business model.
7. Engineering an electronic value chain focused on a "limited" number of core competencies. Electronic stores have succeeded as either specialist or generalist in aim.
8. Operating on or near the cutting edge of technology and staying there as technology changes.
9. Setting up an organization of sufficient alertness and agility to respond quickly to any changes in the economic, social and physical environment.
10. Providing an attractive website. The tasteful use of color, graphics, animation, photographs, fonts, and white-space percentage may aid success in this respect.
11. Streamlining business processes, possibly through re-engineering and information technologies.
12. Providing complete understanding of the products or services offered, which not only includes complete product information, but also sound advisers and selectors.

Other standard necessities include honesty about its product and its availability, shipping reliably, and handling complaints promptly and effectively. A unique property of the Internet environment is that individual customers have access to far more information about the seller than they would find in a brick-and-mortar situation. (Of course, customers can, and occasionally do, research a brick-and-mortar store online before visiting it, so this distinction does not hold water in every case.)

Customer experience

A successful e-commerce organization must also provide an enjoyable and rewarding experience to its customers. Many factors go into making this possible. Such factors include:

1. Providing value to customers. Vendors can achieve this by offering a product or product-line that attracts potential customers at a competitive price, as in non-electronic commerce.
2. Providing service and performance. Offering a responsive, user-friendly purchasing experience, just like a flesh-and-blood retailer, may go some way to achieving these goals.
3. Providing an incentive for customers to buy and to return. Sales promotions to this end can involve coupons, special offers, and discounts. Cross-linked websites and advertising affiliate programs can also help.
4. Providing personal attention. Personalized web sites, purchase suggestions, and personalized special offers may go some of the way to substituting for the face-to-face human interaction found at a traditional point of sale.

5. Providing a sense of community. Chat rooms, discussion boards, soliciting customer input and loyalty programs (sometimes called affinity programs) can help in this respect.
6. Owning the customer's total experience. E-tailers foster this by treating any contacts with a customer as part of a total experience, an experience that becomes synonymous with the brand.
7. Letting customers help themselves. Provision of a self-serve site, easy to use without assistance, can help in this respect. This implies that all product information is available, cross-sell information, advise for product alternatives, and supplies & accessory selectors.
8. Helping customers do their job of consuming. E-tailers and online shopping directories can provide such help through ample comparative information and good search facilities. Provision of component information and safety-and-health comments may assist e-tailers to define the customers' job.

Taxation

From the inception of the Internet until the late 1990s, the Internet was free of regulation by government in the United States at all levels, and also free of any specially targeted tax levies, duties, imposts, or license fees. By 1996, however, that began to change, as several U.S. states and municipalities began to see Internet services as a potential source of tax revenue.

The 1998 Internet Tax Freedom Act halted the expansion of direct taxation of the Internet, grandfathering existing taxes in ten states.[5] In the United States alone, some 30,000 taxing jurisdictions could otherwise have laid claim to taxes on a piece of the Internet.[6] The law, however, did not affect sales taxes applied to online purchases. These continue to be taxed at varying rates depending on the jurisdiction, in the same way that phone and mail orders are taxed.

The enactment of this legislation has coincided with the beginning of a period of spectacular Internet growth. Its proponents argue that the benefits of knowledge, trade, and communications that the Internet is bringing to more people in more ways than ever before are worth the tax revenue losses, if any, and that the economic and productivity growth attributable to the Internet may well have contributed more revenues to various governments than would otherwise have been received. Opponents, on the other hand, have argued that the Internet would continue to prosper even if taxed, and that the current federal ban on Internet-specific levies denies government at all levels a much-needed source of revenue.

See also

- e-Government
- Internet business
- Dot-com company

Notes

1. ^ Online sales spike 19 percent (http://money.cnn.com/2007/05/14/news/economy/online_retailing/) . CNN (May 14 2007) .
2. ^ Fortune 1000 Companies Ranked by eCommerce Revenues (http://AListNet.com/ecommerce_rankings_of_Fortune_1000_companies) . AListNet (Sep 1 2007).
3. ^ Advertising and Marketing on the Internet: Rules of the Road (http://www.ftc.gov/bcp/conline/pubs/buspubs/ruleroad.shtm) . Federal Trade Commission.

4. ^ Enforcing Privacy Promises: Section 5 of the FTC Act (http://www.ftc.gov/privacy/privacyinitiatives/promises.html) . Federal Trade Commission.
5. ^ *Internet Tax Freedom Act*, 47 U.S.C. § 151 (1998).
6. ^ *Internet Taxation* [1] (http://www-pps.aas.duke.edu/centers/dewitt/course/internetandsociety/taxation/index.html) published by Duke University

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External links

- U.S. Federal Trade Commission E-Commerce Fact Sheets (http://www.ftc.gov/bcp/menus/business/ecommerce.shtm)
- Small Business Guide to E-Commerce Laws and Regulations (http://business.gov/guides/e-commerce/)
- North American Consumer Project on Electronic Commerce (NACPEC) (http://nacpec.org)

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