E-commerce and E-business

Lecture 5

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Objectives

- To introduce and explain the concepts of e-commerce and e-business.

- To understand the importance of E-commerce concepts and how E-commerce have transformed the way businesses

E-commerce and E-business

E-commerce and e-business are two related concepts that have transformed the way that businesses operate in the digital age.

- E-commerce refers to the buying and selling of goods or services online, Examples: Amazon, eBay.
- e-business encompasses a broader range of online activities, including marketing, customer service, and supply chain management. Examples: Online marketing (Google AdWords), online customer service (chatbots), online supply chain management (EDI).

Differences Between E-commerce and E-business

- E-commerce is a subset of e-business.
- E-commerce focuses solely on buying and selling, while e-business includes a broader range of activities.
- Example: Amazon is primarily an e-commerce company, while Walmart is an e-business that utilizes online activities such as online ordering, inventory management, and customer service

E-commerce Key features

1. Enable Online Transactions

   E-commerce platforms allow customers to purchase products or services online, without the need for a physical storefront. Examples: Amazon and eBay.

2. Provide Secure Payment Processing

   Secure payment processing is a critical feature of e-commerce platforms to protect customer financial data. Example: PayPal.

3. Offer Flexible Shipping and Delivery Options

   E-commerce platforms offer a variety of shipping and delivery options to meet customer preferences and needs. Examples: free shipping, expedited shipping, and same-day delivery.

4. Allow for Easy Product Browsing and Purchasing

   E-commerce platforms offer features such as product filtering, reviews, and recommendations to help customers find and purchase products quickly and easily. Examples: Amazon's "Customers who bought this also bought" feature.

E-commerce business models

- 1. Business-to-Business (B2B) e-commerce is simply defined as e-commerce between companies. This is the type of e-commerce that deals with relationships between and among businesses. About 80% of e-commerce is of this type.
- 2. Business-to-Consumer (B2C) e-commerce refers to transactions conducted directly between a company and consumers who are the end-users of its products or services. The B2C business model has become more popular in recent years as consumers have become more comfortable shopping online.
- 3. Consumer-to-Consumer C2C e-commerce refers to transactions conducted between consumers, often through a third party. This type of e-commerce is growing rapidly, with sites like eBay and Amazon Marketplace facilitating C2C transactions.
- 4. Customer-To-Business (C2B) Customer sells to a business via internet, example a Photographer selling photos to businesses via iStock Photo

Components of E-commerce Systems

- **Front-end systems:** the user-facing interface where customers browse and purchase products.

- **Back-end systems:** the systems that manage inventory, order fulfillment, and payment processing.

- **Middleware**: the software that connects the front-end and back-end systems. Examples: Shopify (front-end and back-end), PayPal (middleware).

❑ Benefits

- Increased global reach, reduced overhead costs, improved customer experience, and streamlined supply chain management. Example: A small business can utilize e-commerce to sell products globally, reducing the need for a physical storefront and reducing overhead costs.

❑ Challenges

- Security risks, website downtime, and the need to remain adaptable to changes in technology and consumer behavior. Example: A business must take measures to ensure the security of customer information and financial data during online transactions.

Intermediary

- An intermediary is a third-party agent that helps buyers and sellers find each other to do business.
- Examples of intermediaries include stores, websites, and apps that help connect buyers and sellers (e.g., Amazon, eBay).

Disintermediation

- Disintermediation is when a business sells directly to customers instead of using intermediaries.
- This can happen online or offline and allows businesses to save money and offer lower prices to customers.
- Examples of disintermediation include Dell Direct, which sells its products directly to customers online, and Amazon Marketplace, which allows third-party sellers to sell directly to customers.

Reintermediation

- Reintermediation is when new intermediaries are added to a business process to create value for customers.
- These intermediaries can offer new services or technologies that were not available before.
- Examples of reintermediation include online payment systems (e.g., PayPal), and customer service platforms that help businesses offer better service to customer (e.g., Zendesk).

Cybermediation

- Cybermediation is the creation of new intermediaries enabled by e-commerce technologies.
- Examples of cybermediaries include Internet Service Providers (ISPs), which provide the infrastructure necessary for online transactions to take place, online payment systems (e.g., Square), and social media platforms (e.g., Facebook, Instagram).

Revenue Model

- A revenue model is a plan for how a business makes money. There are different types of revenue models, including sales, subscriptions, advertising, transaction fees, and freemium.

1. Sales Revenue Model
   - Revenue is generated by selling products or services directly to customers.
   - Examples include stores and e-commerce websites
2. Subscription Revenue Model
   - Revenue is generated by charging customers a recurring fee for access to a product or service.
   - Examples include Netflix and Spotify.

Revenue Model

3. Advertising Revenue Model

- Revenue is generated by displaying advertisements to customers.
- Examples include Facebook and Google.

4. Transaction Fee Revenue Model

- Revenue is generated by charging customers a fee for facilitating a transaction.
- Examples include PayPal and credit card companies.

5. Freemium Revenue Model

- Revenue is generated by offering a basic version of a product or service for free, but charging for premium features or upgrades.
- Examples include Dropbox and LinkedIn.

Revenue Model

➢ Choosing the Right Revenue Model

- The revenue model should align with the business's goals, target customers, and value proposition.
- Choosing the right revenue model is critical for the success of a business

End Session Questions

1. What are the contrasts between e-commerce and e-business, and what are some instances of e-business activities that extend beyond the online buying and selling of goods and services?

2. What is cybermediation and how is it enabled by e-commerce technologies

3. What are some revenue models that businesses can utilize to generate income, and why is it crucial for businesses to select the appropriate revenue model that aligns with their objectives and target audience?