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ecommerce-business-

A couple of years ago, there were only a few e-commerce businesses with a small pool of consumers still struggling to understand the benefits of buying things online rather than in-store.

Fast forward to our time, there are millions of e-commerce businesses representing different models and serving a global audience.

Now, people would rather shop all day on their smartphones and track their orders easily, instead of driving several miles to get to a brick and mortar shop with limited product inventory.

Even the latest eCommerce websites allow visitors to either shop or browse through their gallery of different products in several niches ranging from electronics, home decor, wears, books and just anything you could think.

Did eCommerce improve or did people begin to understand its usefulness?

The answer to both sides of the question would be YES.

eCommerce has evolved through the years with improved payment options, automatic order processing, faster shipping, more developed UIs, and different innovative models as we'll learn shortly.

These significant improvements are the reasons why people started to understand the usefulness of eCommerce and embraced it to the current levels.

However, given the millions of e-commerce businesses in existence, there could be confusion about what form of practice to classify as an e-commerce business model.

The confusion could even become a significant challenge for individuals or organizations who want to join the eCommerce industry.

Well, in this article, we dive into the types of e-commerce business models and afterward, discuss the pros and cons of running an e-commerce venture using any of them.

Before we get to that, let's define **what a business model is.**

A business model refers to a plan for the successful operation of a business and how it relates to existing products or services in the industry. It also encompasses the revenue sources as well as the potential customer base.

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Now that we got that let's get to the core business models that exist in the eCommerce industry.

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Types of eCommerce Business Models
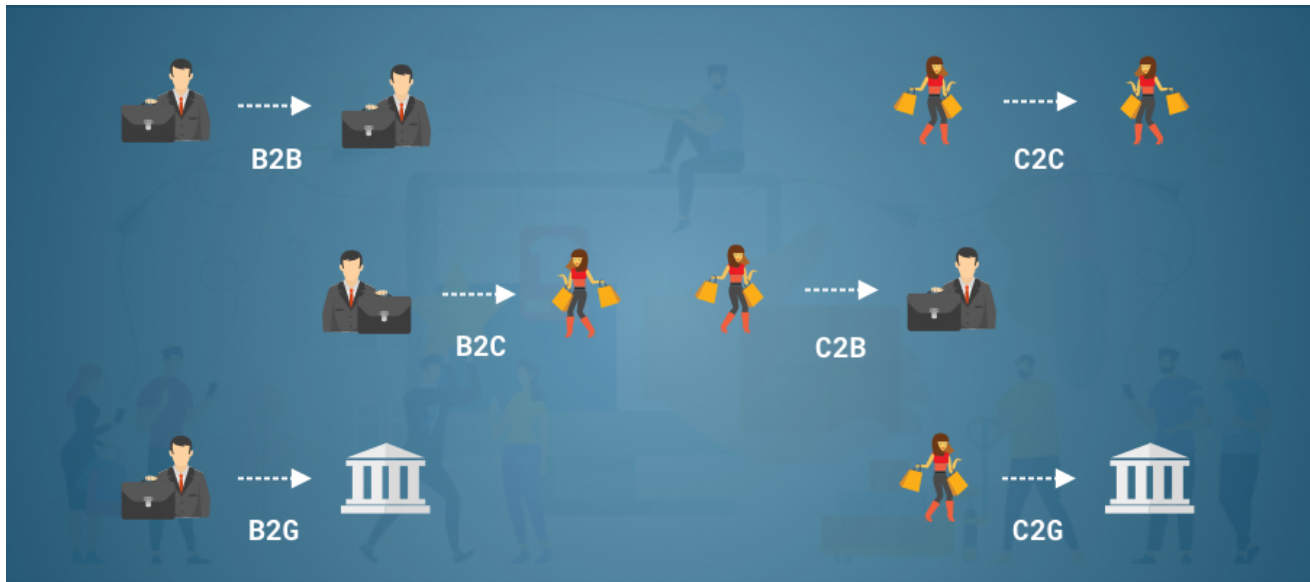
There are primarily six eCommerce business models :

- Business-to-Business (B2B)

- Business-to-Consumer (B2C)

- Consumer-to-Business (C2B)

- Consumer-to-Consumer (C2C)

- Business-to-Government (B2G)

- Consumer-to-Government (C2G)

1) Business-To-Business (B2B)

As the name suggests, the business-to-business model of eCommerce is one where the exchange of good or service takes place between corporations instead of individuals.

It is usually a situation whereby one company provide goods or services online with other companies as its target audience.

B2B Examples

- When a **mobile app development company (https://magnetoitsolutions.com/services/mobile-application-development)** is offering its IT solutions to some real estate companies seeking to build an app for their client base, in this situation, the mobile app company advertises its service on their website while real estate companies that are interested can request a price quotation through the same channel.

- A cybersecurity firm is offering its online security software that mitigates credit card fraud to an eCommerce company.

Bear in mind that the firms dominating the B2B eCommerce model are mainly services providers. In a few cases though, you will also see B2B in action when firms have to buy certain products from their counterparts.

Data firm, **Forrester (https://www.forrester.com/report/US+B2B+eCommerce+Will+Hit+12+Trillion+By+2021/-/E-RES136173#)** estimates that B2B eCommerce will hit the $1.8 trillion mark by 2023. Therefore, there is a chance that you could scoop a fair share of the revenue if you do further studies and **develop a B2B e-commerce store (https://magnetoitsolutions.com/services/b2b-ecommerce-solutions)** that sales hot products and services in the industry.

Pros

- The B2B market is predictable as well as stable.

- There is greater customer loyalty than in other models of eCommerce

- B2B features lower operating costs after the initial setup since most processes are automated and valid for a long time.

- You can generate a sustainable and reasonably high-profit margin from repeat clients.

Cons

- B2B eCommerce often requires substantial capital to set up. Costs include business registration, branding and setting up a physical or virtual office.

- There is a smaller pool of customers when compared to other models.

- Since B2B marketing targets businesses, sales are a little hard to come by because firms take a longer time to make decisions
  Where firms ask for huge discounts because of their bulk purchase, it could eat into the profit of the seller.

Related: *B2B eCommerce Trends 2019 (https://magnetoitsolutions.com/infographic/b2b-ecommerce-trends-2018)*

2) Business-To-Consumer (B2C)

The B2C eCommerce business model is what usually comes to people's mind when they hear the word "e-commerce." It is perhaps this popularity that is also responsible for the increased activity in this field.

B2C eCommerce refers to the distribution of goods and services from business to members of the public who are its customers. It is one of the earliest forms of eCommerce and has grown massively in the last two decades as observed from retail giants Amazon.   ⌃

According to Statista, B2C eCommerce sales globally reached $1.2 trillion in 2013 with the number of online buyers surpassing 1 billion in the same year. In 2018, that figure became more than double with retail sales hitting the $2.6 trillion mark.

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B2C Examples

- All major online retail stores like Amazon and payment processors like PayPal.

- A traveling agency that provides ticket and travel insurance policies to clients.

- A digital education website such as CodeAcademy that lets users learn basic computer programming for free.

Pros

- It requires a reasonably low startup capital when compared to other eCommerce models. For instance, drop shipping allows selling products without you having to manage an inventory or delivery.

- Anyone with a basic knowledge of the internet can set up and manage a B2C eCommerce store under little supervision.

- It is also easy to scale a B2C eCommerce venture.

- It involves selling to a wide range of audience with already known purchase patterns and behavior.

- It allows for flexibility since the platform is the channel for efficiently collating market demand in real-time.

- It is easier to encourage B2C eCommerce shoppers to practice impulse buying since you can run ads targeted towards customers that are not even searching for what to buy.

- The retailer is in charge of discounts and giveaways as opposed to the B2B model.

Cons

- The B2C space is highly competitive with most firms already boasting a majority of the market share.

- Shipping products across borders can be a massive challenge if you mistakenly land the wrong shipping company.

- Many buyers still prefer making purchases in-store rather than online.

- There is little difficulty in sourcing for hot and cheap products to list on your eCommerce store throughout the year.

- The market is continually evolving and requires upgrades more frequently than in other models.

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⌃

3) Consumer-To-Business (C2B)

The C2B eCommerce model is the opposite of B2C meaning that in this case, would be consumers

are now the ones offering goods and services to business operators.

Interestingly, the C2B industry is arguably the most significant employment channel other than paid office jobs, because the transactions are borderless.

We divide C2B eCommerce owners into two categories:

Independent workers — These set of people offer products or services on a website they created for this purpose. The approach allows them to interact with clients directly and negotiate deals on their terms.

Freelancers — Majority of C2B eCommerce owners under this channel are service providers and product sellers on freelancing sites such as Fiverr and Upwork.

Businesses go to these platforms to search for skilled service providers who display their gigs and ends up hiring anyone that matches their ambition. The platform, in turn, charges commissions for connecting businesses with these service providers.

Examples of C2B

- A sports blogger who bills a gaming company to promote their services on his blog or signs up for Google Adsense to display ads that suit his audience in exchange for profits.
- Social media managers, content creators, brand managers, programmers, and many other services providers working online.
- A photographer selling his images on websites such as Fotolia or 123rf.
- Social media users filling in surveys.

Nasdaq (https://www.nasdaq.com/article/the-gig-economy-2020-freelance-workforce-predicted-to-rise-to-43-cm803297) estimates that 43% of the U.S workforce will be freelancers by 2020 meaning more growth for the C2B industry.

The C2B industry also has a different revenue model to B2C because service providers and their clients can define parameters such as how often to collect payment, duration of a project, product supply dates and more.

In a nutshell, service providers can earn as much as they can work, with a rare opportunity to apply for several job openings at once.

Pros

- C2B provides a channel for companies to source and hire a variety of service talents and products from around the globe.
- It also provides an opportunity for companies to prioritize hiring from regions where the standard of living is low, thus, reducing what figure goes on the paycheck.
- It also allows service providers to gain work experience across multiple projects and get paid well for doing so.

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Cons

- A high level of communication skills is required to convey project ideas.

- Companies that hire freelancers could face a challenge in sending payment to freelancers in some parts of the world.

The possibility of outsourcing means the freelancer paid for the job may not even be the one doing it. This situation could put the

- mployer at a disadvantage as he gets a substandard service than what he originally paid.

4) Consumer-To-Consumer (C2C)

Under the C2C eCommerce business model, consumers sell to consumers usually through a third-party website or an independent online platform that they created for this purpose.

Generally, all peer-to-peer transaction of goods and services carried out online falls into the C2C e-commerce business model. It requires a high level of trust between the customers and not necessarily on the platform on which the trade is carried out.

C2C Examples

- The foremost example of C2C via a third-party website would be an auction platform like eBay which brings seller and buyers together. eBay charges a fee for facilitating each sale while the other parties to the transaction are responsible for settling other matters such as product quality, packaging, shipping, and refunds.

- Cryptocurrency exchanges that offer over-the-counter trades to users. Under such circumstance, the exchange charges a fee for the transaction while it allows the users to transact cryptocurrencies with one another.

- It is important to note that most businesses operate the B2C and C2C models simultaneously even though they may decide to start up with one. In most cases, though, the B2C comes first while the C2C follows shortly as an extension and additional revenue source.

- If you plan to go down this path, you may need to do more extensive research to find out what buyer behavior is prevalent in the market before deciding which model to employ first.

Pros

- There are usually no upfront costs to get yourself of product listed on a third-party C2C website.

- With C2C, the products gallery is unlimited since different customers are on board and selling various items scattered across different niches.

- C2C facilitates the sale of used items as opposed to B2C where a majority of the products are new.

- C2C often serves as a black market for businesses to purchase items without going through the

primary market.

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- Any online platform that allows interaction between two or more people can facilitate a C2C
  trade.

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Cons

- The cost charged for each sale using the C2C eCommerce model on a third-party site like eBay
  may eat into the profit of the merchant.

- C2C poses a high level of risk in terms of product quality than other eCommerce business
  models. Under C2C, most transactions require that both parties trust it each other.

- For auction sites, users may end up buying goods at inflated prices which is not a good
  economic decision.

5) Business-To-Government (B2G)

As the name rightly suggests, the B2G eCommerce model is one where a business sells its product or
service to the government of either the area where its operations are based or elsewhere.

In most case, businesses under this umbrella have these government or public administrative offices
as their only clients and receive contracts on a long-term basis. Such a situation makes it possible for
them to easily calculate profits and manage funds effectively while delivering their solution to a wide
audience.

Sadly, though, their business could also be negatively affected if there is a change in government and
the new authority refuses to honor the already existing contract.

Consider this scenario:

An online marketing agency or influencer is contracted by a sitting government to manage its
political campaign by broadcasting promotional material to the masses across social media and
other digital channels.

If by any chance, the ruling government fails to win at the election, the new authority may likely opt
for another online marketing agency or influencer to do the job of previously held by a different
entity.

In this situation, one B2G firm gains while the other loses out.

Other Examples of B2G

- A government using a virtual workspace software designed by a creative agency.

- The situation in Ohio where the State's tax department hired the service of a third-party to
  collect and convert tax payments in cryptocurrencies to fiat.

Pros

- It features a high-profit margin and longevity than most other eCommerce business models.

- B2G businesses can enjoy tax benefits not common to other eCommerce merchants.

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- It increases flexibility and efficiency in public administration.
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Cons

- A change in government could adversely affect a B2G product or service provider

- It often requires huge capital to set up.

- It could also confine a business to operate within a specific geographical location, thus removing the primary purpose of eCommerce transactions which is borderless product and service delivery.

6) Consumer-To-Government (C2G)

C2G is just the opposite of the last eCommerce business model albeit a little difference; this time it is the consumers or members of the public that offer value to the government or public administrative agencies.

However, it is still the public administration or government that initiates the transactions, often as a way to ease its operations and relieve the citizenry of some burdens.

The public does not bear any responsibility whatsoever if the platform conducting the C2G transactions goes offline or fails to deliver.

Examples of C2G

- A State's tax agency deciding to ditch paper tax filing and instead introduce an electronic tax filing portal.

- A State creating an information sharing platform to allow citizens to get the latest information possibly because of a suspected natural disaster.

- An electronic voting app for citizens to participate in an election without having to visit the polling unit or filing paperwork.

- Other forms of transactions between citizens and the government either facilitated by the government directly or via a third-party

Note that the government could decide to terminate C2G transactions if it doesn't realize its purpose of creating such a platform or wants to try a new approach.

Pros

- It makes public administration more flexible and efficient.

- It encourages public knowledge of internet-based technology.

- There is enormous profit potential for third parties contracted to handle C2G transactions.   ⌃

Cons

- A lack of internet service in some regions could restrict the performance of C2G eCommerce.

- Public awareness and education programmes may be needed to introduce the populace to such

- Public awareness and education programmes may be needed to introduce the populace to such
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Final Words

If you're planning to join the e-commerce industry, then the insight you've gotten from this article will likely be crucial as you choose a path to follow. Now, you can accurately weigh the opportunities and deficiencies associated with each eCommerce business model before you even write your business plan.

You could also easily tell which model to start up with or even which ones are compatible with your business ambitions. That perfectly sets you up for the journey ahead and increases your chances of getting to the top of the pile real quick!

Ronak Meghani

A creative and passionate eCommerce Strategist with over 8 years of experience in providing IT solution across various industries. Ronak Meghani, the Co-Founder of Magneto IT Solutions, a full service of eCommerce Development in the USA, UK, and India. Ronak is closely working with e-Commerce ventures since 2009 and He has helped 200+ brands for building / improving their online ventures in the area of UI/ UX, Development, Launching, Revenue Enhancement, Marketing strategy and much more and 90% stores are generating very good revenue.

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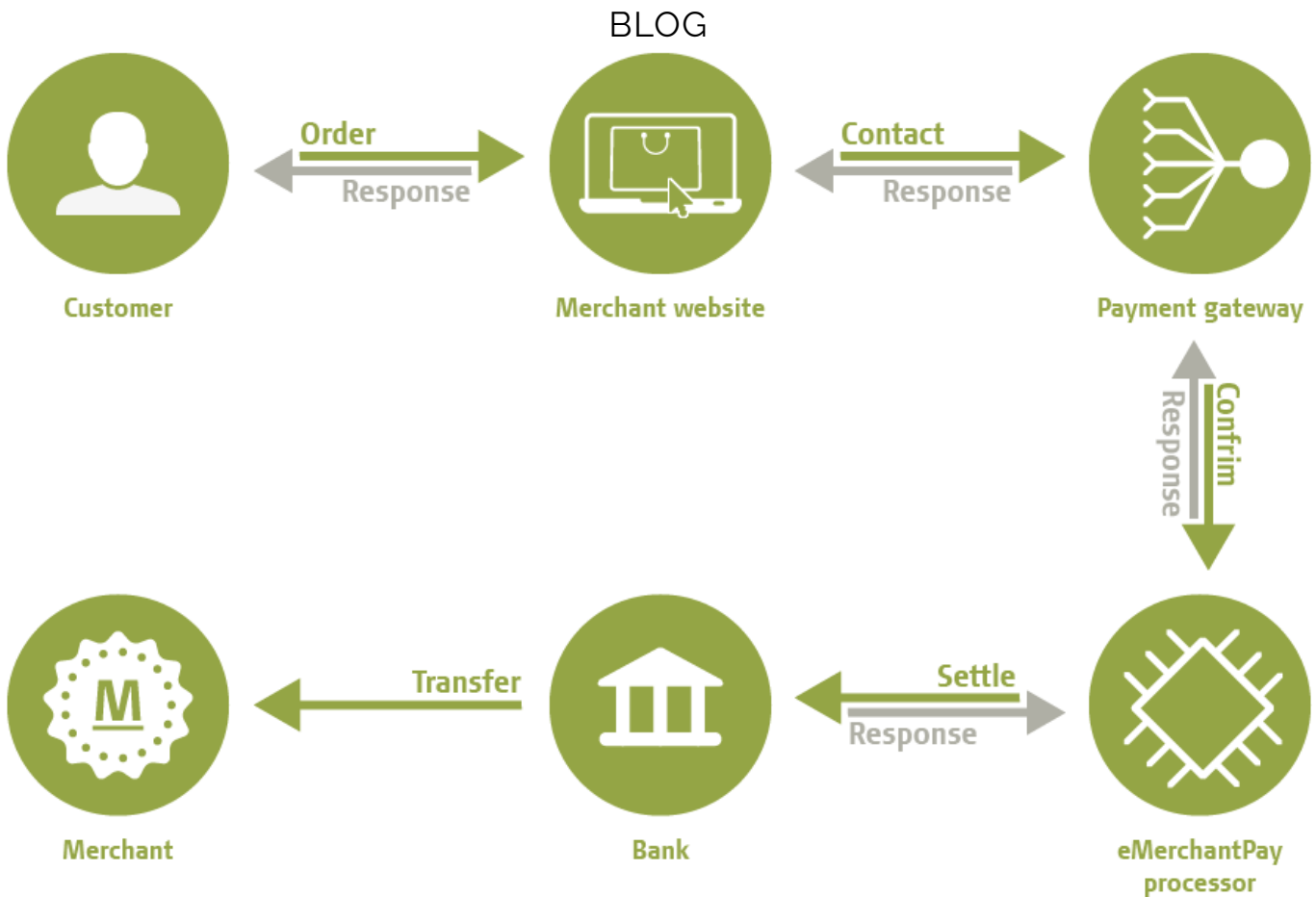
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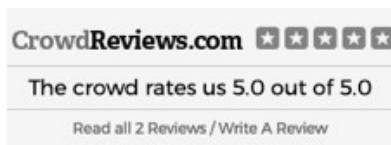
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