7 | Understanding E-Business

(Lecture 12)

Discovering the Internet, 5th Edition

Objectives

➢ Describe the e-retailing storefront software, merchant accounts, and payment-processing services needed to create and operate an online store
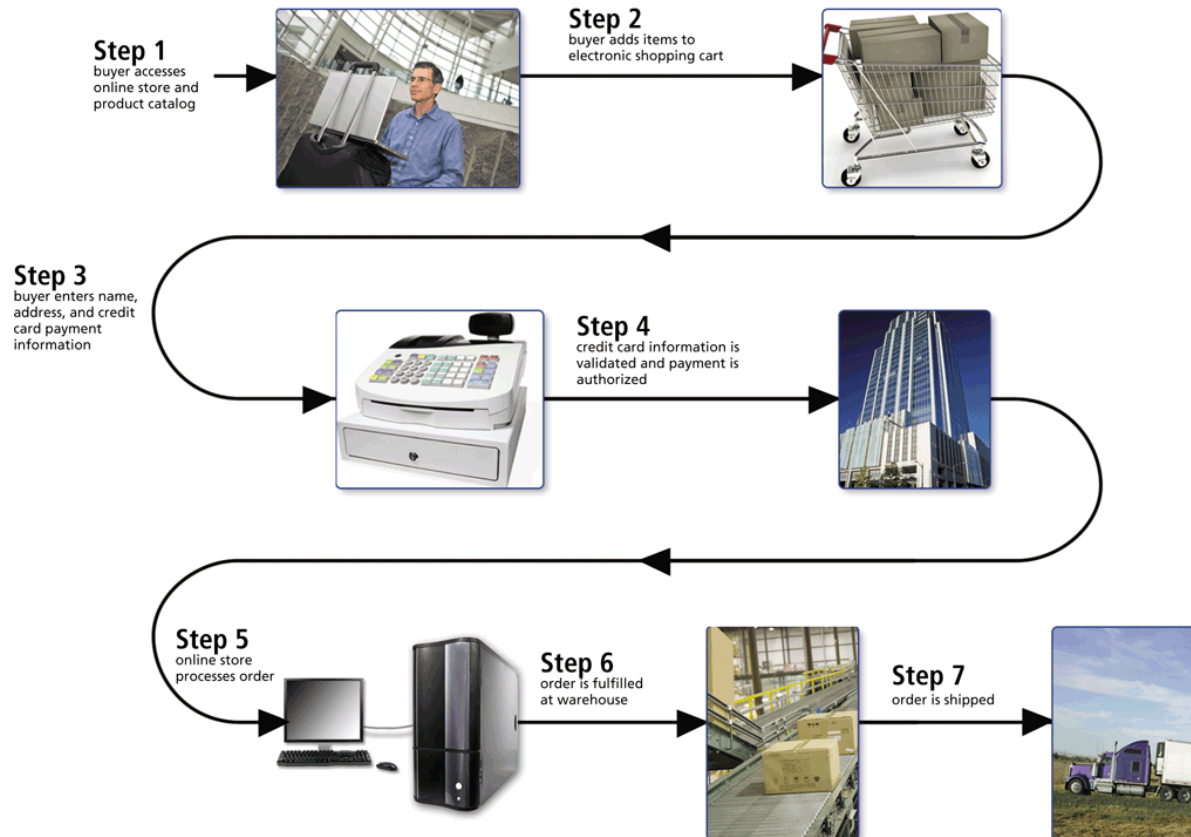
Creating an Online Store

➢ Thousands of men and women become e-business entrepreneurs by starting and operating an online business

➢ Famous and successful e-business entrepreneurs

– Evan Williams (Twitter)

– Jeff Bezos (Amazon.com)

– Michael Dell (Dell, Inc.)

– Reed Hastings (Netflix)

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➢ Storefront Software

– A typical e-retail transaction consists of several steps

Step 1 buyer accesses online store and product catalog

Step 2 buyer adds items to electronic shopping cart

Step 3 buyer enters name, address, and credit card payment information

Step 4 credit card information is validated and payment is authorized

Step 5 online store processes order

Step 6 order is fulfilled at warehouse

Step 7 order is shipped

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➢Storefront Software (continued)
  – **Storefront software** (also called **e-commerce software**) provides tools to build and maintain webpages and the underlying product databases
  – Also contains **shopping cart software** that tracks items selected for purchase and handles the checkout process
    • Summarizing the order
    • Calculating shipping and taxes
    • Calculating the total order
    • Processing the payment

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➢ Storefront Software (continued)

– **Installed storefront software** is customizable software that resides on an e-retailer's web server
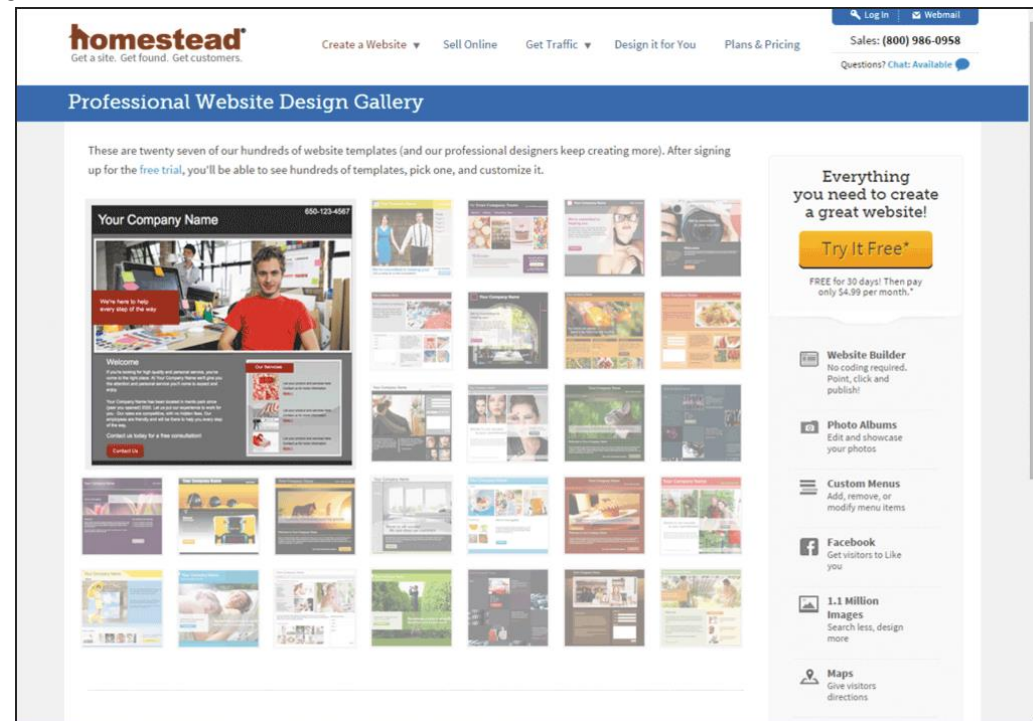
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➢Storefront Software (continued)

- **Hosted storefront software** uses webpage templates that allow you to create a store and add products to your online catalog

  • May have fees

  • Some vendors provide software demos or allow review of their software on a free trial basis

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➤ Credit Card Authorization and Processing

- Many online purchases are paid for by credit card
- Third-party payment processors
  - PayPal
  - Google Wallet
- An e-retailer that accepts credit cards must have two things
  - Account for credit card receipt deposits
  - Service that authorizes and processes credit card transactions

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➢ Credit Card Authorization and Processing (continued)

– **Merchant account** is an e-business account with a financial institution that stores money from credit card purchases

- Any business that accepts credit cards must have merchant account

- Can withdraw funds, but only can deposit credit card receipts

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➤ Credit Card Authorization and Processing (continued)

– Fees might include

- Setup fees
- Monthly access fees
- Per-item transaction fees
- **Discount rate**, which is the percentage of each transaction that the financial institution will charge the e-business

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➤ Credit Card Authorization and Processing (continued)

– An online store must be able to connect to a payment-processing service that can verify, authorize, and process secure credit card transactions

– Some vendors offer online payment-processing services, called **payment gateways**

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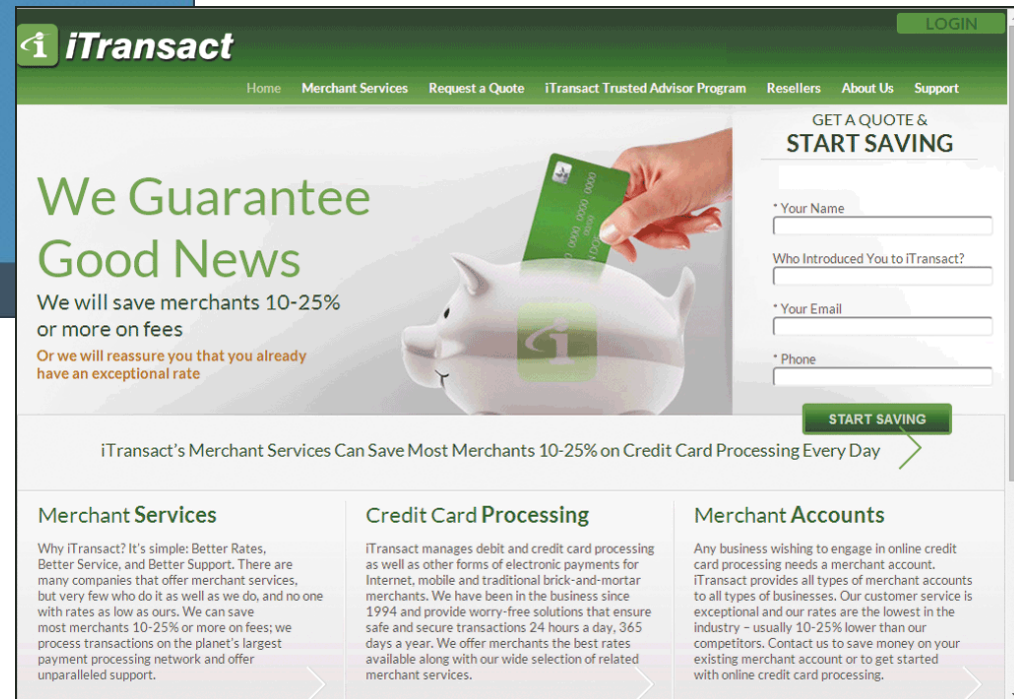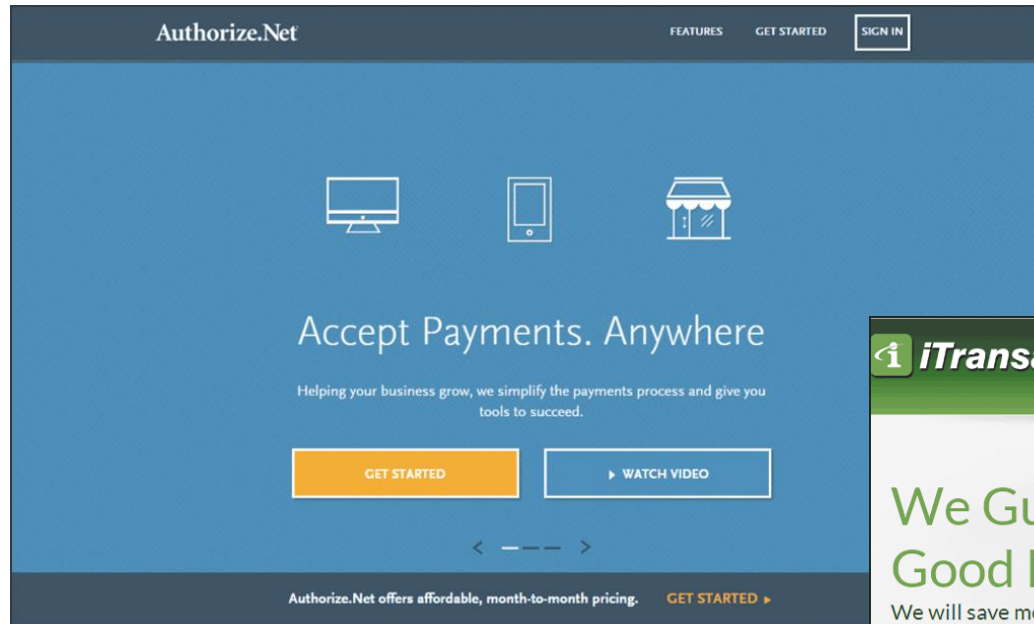
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➤ Credit Card Authorization and Processing (continued)

– When selecting storefront software, a payment gateway, and merchant account, be certain all three are compatible.

– **Order fulfillment** is the process e-retailers have for packaging and shipping products

• Many e-retailers save time and money by using third-party fulfillment or logistics companies
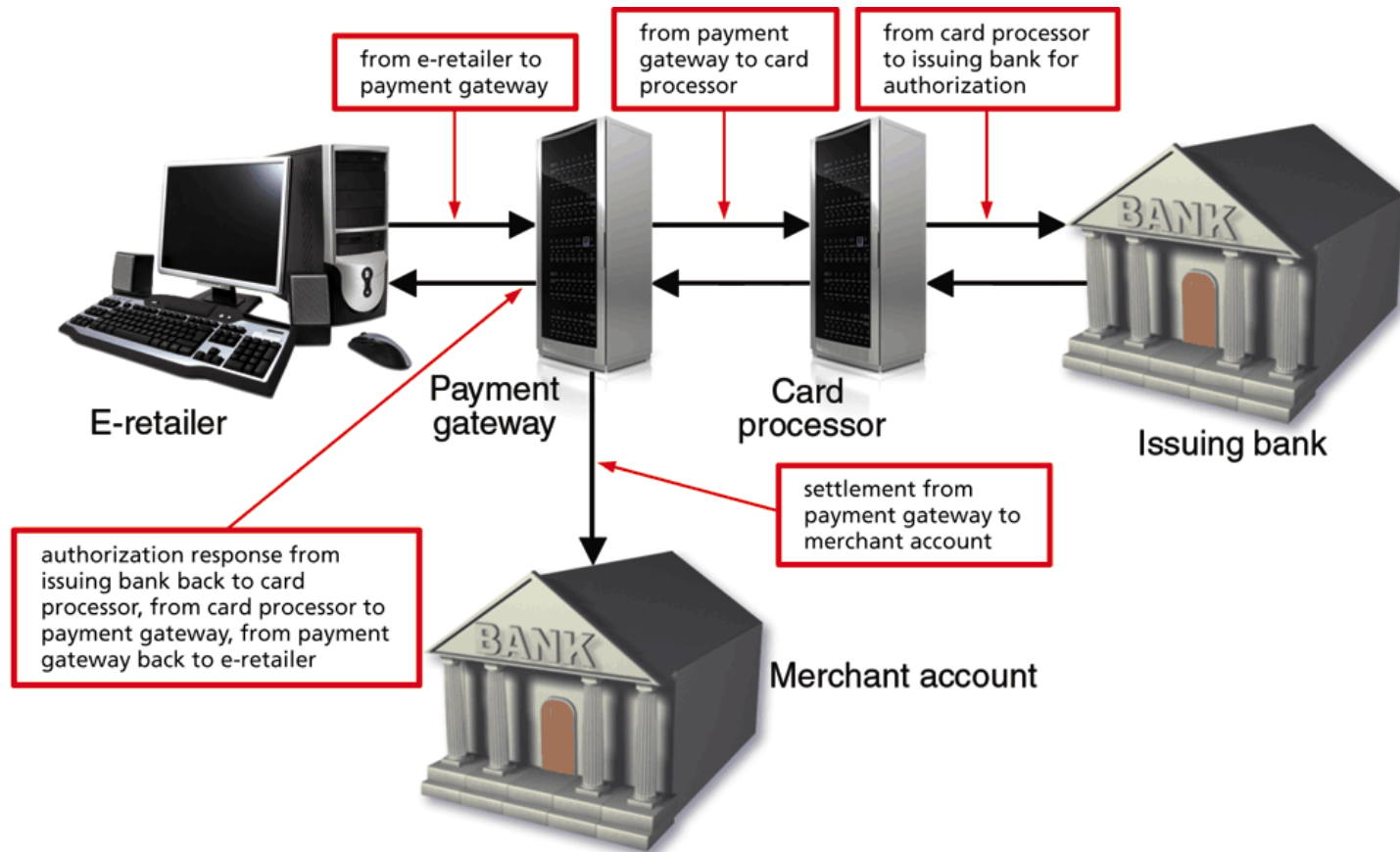
Credit Card Authorization and Processing

Figure 7-40 A payment gateway service verifies, authorizes, and processes secure credit card transactions.

Credit Card Authorization and Processing

Figure 7-41 iTransact is a payment gateway vendor.