What Is E-Commerce?

Ecommerce is a shortened version of the phrase "electronic commerce" which essentially describes any type of exchange of currency for goods or services online.

Ecommerce, also known as electronic commerce or internet commerce, refers to the buying and selling of goods or services using the internet, and the transfer of money and data to execute these transactions. Ecommerce is often used to refer to the sale of physical products online, but it can also describe any kind of commercial transaction that is facilitated through the internet.

Whereas e-business refers to all aspects of operating an online business, ecommerce refers specifically to the transaction of goods and services.

The term e-commerce was coined back in the 1960s, with the rise of electronic commerce – the buying and selling of goods through the transmission of data – which was made possible by the introduction of the electronic data interchange. Fast forward fifty years and **e-commerce has changed the way in which society sells goods and services.**

'E-commerce' and 'online shopping' are often used interchangeably but at its core e-commerce is much broader than this – it **embodies a concept for doing business online**, incorporating a multitude of different services e.g. **making online payments, booking flights etc.**

E-commerce (**electronic commerce**) is the activity of electronically buying or selling of products on online services or over the Internet. Electronic commerce draws on technologies such as mobile commerce, electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange (EDI), inventory management systems, and automated data collection systems. E-commerce is in turn driven by the technological advances of the semiconductor industry, and is the largest sector of the electronics industry.

Modern electronic commerce typically uses the World Wide Web for at least one part of the transaction's life cycle although it may also use other technologies such as e-mail. Typical e-commerce transactions include the purchase of online books (such as Amazon) and music purchases (music download in the form of digital distribution such as iTunes Store), and to a less extent, customized/personalized online liquor store inventory services. There are three areas of e-commerce: online retailing, electronic markets, and online auctions. E-commerce is supported by electronic business.

E-commerce businesses may also employ some or all of the followings:

- Online shopping for retail sales direct to consumers via Web sites and mobile apps, and conversational commerce via live chat, chatbots, and voice assistants

- Providing or participating in online marketplaces, which process third-party business-to-consumer (B2C) or consumer-to-consumer (C2C) sales

- Business-to-business (B2B) buying and selling;

- Gathering and using demographic data through web contacts and social media

- Business-to-business (B2B) electronic data interchange

- Marketing to prospective and established customers by e-mail or fax (for example, with newsletters)

- Engaging in pretail for launching new products and services

- Online financial exchanges for currency exchanges or trading purposes.

Why Do People Buy 'Online'?

1. **Lower Prices:** Managing an online storefront is far cheaper than an offline, brick and mortar store. Typically less staff is required to manage an online shop as web-based management systems enable owners to automate inventory management and warehousing is not necessarily required. As such, e-commerce business owners can afford to pass operational cost savings on to consumers (in the form of product or service discounts) whilst protecting their overall margin. Furthermore, with the rise of price comparison websites, consumers have more transparency with regard to prices and are able to shop around, typically purchasing from online outlets instead.

2. **Accessibility and Convenience:** Unlike many offline stores, consumers can access e-commerce websites 24 hours a day. Customers can read about services, browse products and place orders whenever they wish. In that sense, online shopping is extremely convenient and gives the consumer more control**.** Furthermore, those living in more remote areas are able to order from their home at a touch of a button, saving them time travelling to a shopping centre.

3. **Wider Choice:** For the past twenty years, the growth of online shopping has to a large extent been based around increased choice. With an almost endless choice of brands and products to choose from, consumers are not limited by the availability of specific products in their local town, city or country. Items can be sourced and shipped globally. Interestingly, one recent study found that consumers are actually starting to become frustrated by e-commerce sites that offer too much choice. Whichever way you look at it though, more choice has likely been a good thing over the long term.

Why Do Businesses Sell 'Online'?

1. **Higher Margins:** Setup costs and ongoing operational costs such as rent, heating, electricity, warehousing (if operating a drop-ship model) and inventory management are often significantly reduced or otherwise eliminated. Further, customer service and other administrative tasks can be automated or outsourced at a relatively low-cost. As such, higher margins can usually be achieved when selling via an online store compared to operating an offline business.

2. **Scalability:** With a brick and mortar business, the owner is often limited by the amount of people who can physically be in the store at any one time. There is no limit when trading online. Running an e-commerce business means tapping into a truly global market. Furthermore, online platforms enable rapid scaling. With the emergence of social media and content marketing as well as the option of generating traffic and conversions through pay-per-click (PPC), expanding into new regions or markets can happen quickly. A great example of this in practice is Choxi, a business that experienced 1,023% growth in revenue in just one year.

3. **Consumer Insight / Technology:** E-commerce businesses typically gather a tremendous amount of customer data. With every element of consumer behavior being tracked, e-commerce business owners are able to understand, tweak and improve the customer shopping experience for customers – making data-led decisions to increase conversion rates and sales. With technology rapidly evolving, it is important that online retailers use tools such as Google Analytics correctly to understand their customers' buying habits, unlocking insight from this data presents a unique advantage, not available to offline stores. Those who leverage the right systems and technology can see their businesses grow extremely quickly.

Advantages and Disadvantages of Electronic Commerce:

E-commerce offers the following advantages:

- **Convenience.** E-commerce can occur 24 hours a day, seven days a week.

- **Increased selection.** Many stores offer a wider array of products online than they carry in their brick-and-mortar counterparts. And many stores that solely exist online may offer consumers exclusive inventory that is unavailable elsewhere.

- **Comparison.** Because of wide-scale information dissemination, consumers can compare products, features, prices and even look up reviews before they select what they want.

E-commerce carries the following disadvantages:

- **Limited customer service.** If you are shopping online for a computer, you cannot simply ask an employee to demonstrate a particular model's features in person. And although some websites let you chat online with a staff member, this is not a typical practice.

- **Lack of instant satisfaction.** When you buy an item online, you must wait for it to be shipped to your home or office. However, retailers like Amazon make the waiting game a little bit less painful by offering same-day delivery as a premium option for select products.

- **Inability to touch products.** Online images do not necessarily convey the whole story about an item, and so e-commerce purchases can be unsatisfying when the products received do not match consumer expectations. Case in point: an item of clothing may be made from shoddier fabric than its online image indicates.