
A Beginner's Guide to

E-COMMERCE



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Not so long ago, the idea shopping without visiting a store seemed like a futuristic concept. Fast forward just a couple of decades, and it is a given. In under one minute, you can open an app or web browser and get something delivered the next day or even sooner. Or you can reserve your order and pick it up the same day. The phenomenon of electronic commerce, or e-commerce, appeals to consumers and businesses alike and, as the statistics demonstrate, it has taken off dramatically.

According to the U.S. Census Bureau, e-commerce sales in 2018 accounted for [9.7%](#) of total sales. That's more than six times the figure 15 years prior, when, in 2003, e-commerce sales represented just [1.6%](#) of total sales.

E-commerce doesn't appear to be slowing down. In 2017, market research company Forrester predicted that e-commerce would comprise [17%](#) of retail sales in the United States by 2022. The same report predicted 13% year-over-year growth for online sales. A separate forecast from the National Retail Federation estimated the annual online retail growth at [10-12%](#).

Those figures are impressive and help put e-commerce into perspective, but there's a lot more that you need to know. This guide can help you learn about the benefits of online storefronts, opportunities to market to prospective customers online, and grow your general business knowledge. The upcoming sections explore themes like the benefits of e-commerce, specific trends in e-commerce, and the future of e-commerce.

Follow along to develop a basic understanding of e-commerce.

What is E-commerce?

The easiest way to define e-commerce is electronic transactions that take place online. If buying or selling is involved of products or services online, then it qualifies as e-commerce. As a result, all of the following examples are considered e-commerce:

- Purchasing and downloading digital music files online.
- Buying a physical book online and having it delivered to your home.
- Reserving products at a home improvement store's website and then picking them up in-person.

Each of those scenarios uses an online platform in some part of the transaction's life cycle. It could be completely online, in the case of a digital music purchase, or simply using the internet to find what you need at a local store. Note that all of the previous examples are business-to-consumer e-commerce. As you'll discover in the section on the types of e-commerce, online transactions can be involved in other areas, like when businesses sell products and services to other businesses.

If you're wondering how some sources vary in their definitions for e-commerce, that typically revolves around how much of the transaction needs to take place online. Some say that if terms of the sale don't take place online (e.g., you see a product online and purchase it in-person locally), or that if payment doesn't take place online, then it's not e-commerce.

You don't need to worry about those intricacies, but if you're interested in seeing a comprehensive definition, here's how the U.S. Census Bureau approached the term:

E-commerce sales are sales of goods and services where the buyer places an order, or the price and terms of the sale are negotiated over an Internet, mobile device (M-commerce), extranet, Electronic Data Interchange (EDI) network, electronic mail, or other comparable online system. Payment may or may not be made online.

Evolution of E-commerce

E-commerce may command a large share of the current retail market, but that's a relatively recent development. Brick and mortar businesses dominated until companies like Amazon and eBay utilized online technologies to reach customers. Now, "click and mortar" businesses regularly blend physical stores and online platforms to sell products and services.

How did the present generation of internet-savvy businesses get to where it is today? Here are some of the major events and trends in the [history of e-commerce](#).



PRECURSORS TO E-COMMERCE

Several technological advancements led to modern-day e-commerce.

You can go as far back to the 1960s, which marked electronic transactions on primitive computer networks. Instead of computers processing purchase orders and invoices on paper, they could communicate information electronically through a concept known as the Electronic Data Interchange (EDI). Meanwhile, the military created ARPAnet, allowing the transfer of important information if a nuclear attack occurred. It's hard to imagine, but the EDI and ARPAnet actually served as the foundation to e-commerce as we know it.

The next set of events took place in the 1980s. In the early part of the decade, research computers at universities could send emails and share documents. **In 1984**, CompuServe added a service allowing home computer users to browse the Electronic Mall, which featured products from more than 100 online retailers. Product demos and full-color photos were also available to consumers, which was innovative for the time. The Electronic Mall wasn't a big success, but it was one of the earliest examples of online retail.

Until 1991, there was a ban prohibiting commercial businesses from operating over the internet. When the National Science Foundation lifted its ban at that time, e-commerce became possible. The only thing left to address was security, and that was ironed out **in 1994**. Secure Socket Layer (SSL) was integrated onto the internet browser Netscape 1.0, enabling secure financial transactions to take place online.

It didn't take long for them to start. **On August 11, 1994**, a consumer purchased a Sting album online. The consumer reportedly used a secret code to send his credit card number to a team of cyberspace entrepreneurs who developed a secure online marketplace. This transaction made headlines and paved the way for modern-day e-commerce.



AMAZON AND EBAY ENTER THE CONVERSATION

*There's no question that Amazon and eBay did more for the evolution of e-commerce than any other companies. **They began in the mid-1990s**, and within just a decade, both businesses had amassed tens of millions of users.*

*Amazon began by selling books to shoppers. With virtually no competition, Jeff Bezos, Amazon's founder and CEO, was able to expand from books into product categories like music, clothing, and now, virtually anything you can think of. **In 2005**, 10 years after Amazon sold its first book, the company earned \$359 million in revenue, according to International Business Times. In the first quarter of 2019 alone, Amazon reported \$59.7 billion in revenue.*

*eBay started the same year Bezos launched Amazon. eBay began as AuctionWeb and offered users the ability to bid on other people's used items. The auction platform appealed to a wide range of consumers who could now find deals on a wide range of products. **By 2007**, eBay amassed more than 220 million users and earned \$52.5 billion.*

THE MODERN E-COMMERCE LANDSCAPE

There's an obvious overlap to what Amazon and eBay did, and then looking at what e-commerce is today. Thanks to the two e-commerce giants, online transactions are now a regular part of how companies do business.

*It's so foundational that it's now unusual for a retailer to be 100% brick and mortar. **Today**, consumers expect companies to offer their products online in some capacity. From having an online catalog to, for larger retailers, the ability to reserve products online for in-store pickup, the click and mortar approach to business is now standard. That trend refers to how businesses have online and offline operations, to accommodate customers on either end of the spectrum. That way, people can enjoy the convenience of either option. Consumers can shop from the comfort of their own home late at night or head to a store to see different products options in person.*

There's a lot more on what the modern e-commerce landscape looks like, and the rest of the guide investigates that further. Take a look at the upcoming sections to get filled in on what the evolution of e-commerce has led to. The next topic, on the types of e-commerce, exemplifies how widespread online transactions have become in all kinds of business models.

Types of E-commerce

The revolutionary e-commerce business models of Amazon and eBay affected more than online retail. It led to companies across any business model spectrum recognizing how e-commerce could enhance business.

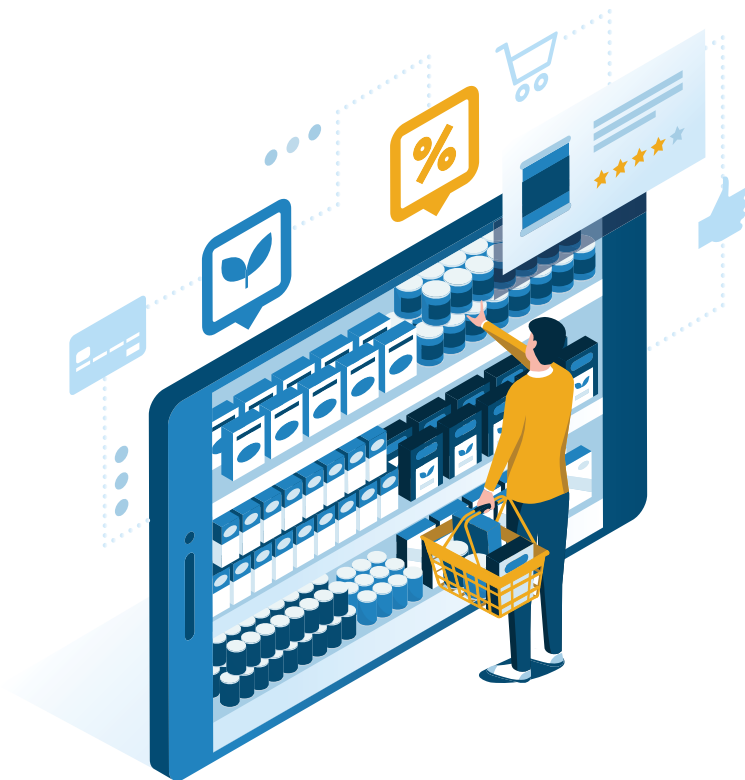
The result is that there are now several types of e-commerce. Here's a quick look at each one.

BUSINESS-TO-CONSUMER (B2C) E-COMMERCE

B2C e-commerce is probably what comes to mind when you first hear the term “e-commerce.” It basically refers to products or services marketed from a business to individual people.

Many popular examples illustrate B2C e-commerce. For instance, if you head to Amazon or Walmart's website to purchase something, that's B2C e-commerce in action. The same is true for most things that you purchase online for personal use. If it's sold by a company, then it fits in with this type of e-commerce.

B2C e-commerce is what started it all. From the Electronic Mall to the first official online purchase in the form of a Sting album, those early examples are rooted in B2C e-commerce.



BUSINESS-TO-BUSINESS (B2B) E-COMMERCE

Not all businesses market to individual consumers. Some sell products and services to other companies. When that takes place online, you have B2B e-commerce.

One example of B2B e-commerce is web development. Every company practically needs a website, due in part to, ironically, concepts like e-commerce. If a company wants to have a virtual storefront, they'll need to build a website. That business might look around for a web development company that has experience in e-commerce, and if they find one online that they hire, that's B2B e-commerce in action. The web development company provided a product for another business.

The same basic idea occurs in other industries. Your typical local business may purchase office equipment online from a retailer like Xerox. If that local business needs vehicles to perform core functions, they might order parts, such as tires, online from a company like Goodyear. Xerox and Goodyear, in those examples, are taking part in B2B e-commerce. Of course, those two companies are also involved in B2C e-commerce.

CONSUMER-TO-BUSINESS (C2B) E-COMMERCE

Sometimes, the traditional roles are reversed. You might be used to businesses selling products and services to consumers online (B2C e-commerce), but sometimes individual customers can sell products and services to businesses.

One example is with paid reviews. If a consumer owns his or her own blog, that person may approach a relevant business with an opportunity to place a product or service on the blog. The business pays the individual for the blog post, video, or podcast, and benefits from the marketing opportunity. Because all of that happens online, it qualifies as C2B e-commerce.

Another good example of C2B e-commerce reflects a popular trend for individuals to earn or supplement their living. Platforms have emerged that allow freelancers to market their skills to clients. On those websites, freelance photographers, writers, developers, and more will secure assignments from businesses. It's C2B e-commerce because individuals are selling products and services to businesses online.

CONSUMER-TO-CONSUMER (C2C) E-COMMERCE

If consumers can sell products and services to businesses online in C2B e-commerce, it's only a small step to consumers selling to other consumers.

An easy way to illustrate C2C e-commerce is through the freelance platforms in the previous type of e-commerce. Instead of freelancers selling their products and services to businesses, freelancers in C2C e-commerce engage in work with other consumers. Think of a consumer who wants a professionally designed graduation party announcement done or a family website built. Neither party is an established business.

Other examples are even more straightforward. Imagine a married couple who wants pictures taken from someone they find online who has a passion for photography. Since the provider doesn't have an actual photography business, that type of relationship and transaction would constitute C2C e-commerce. Another common scenario is when people sell items online, at websites like eBay and Craigslist, to other people. Transactions take place online and no party is an established business. Thus, it's C2C e-commerce in action.

GOVERNMENT E-COMMERCE

It's also possible for businesses or consumers to engage in e-commerce transactions.

One example is found in consumer-to-government (C2G) e-commerce, when individuals pay the government online for taxes or university tuition. Another type of government e-commerce is when businesses perform services for governmental organizations. The strategic information technology company Synergetics has a client list that includes the National Institutes of Health, the Department of Veterans Affairs, the Department of Defense, and the Department of Agriculture. That model of business is referred to as business-to-government (B2G) e-commerce.

Other opportunities may be possible in the future, too. "The 2018 National Defense Authorization Act called for the creation of an Amazon.com-like portal for federal buyers, which put the General Services Administration on a tight schedule to develop and test such a platform," according to Federal Computer Week. "GSA plans an initial pilot of the system in late 2019 with a limited number of [agency participants](#)."

Why E-commerce?

Compare to traditional retail, e-commerce has benefits that can take a business to the next level. A lot of people simply assume that businesses should integrate e-commerce capabilities into their business plan, but it's important to understand why that's often the case.

The most obvious benefit to e-commerce is so basic that you may think it doesn't need to be addressed: consumers can shop online. The ability for people to purchase products and services online instead of in person is, to put it plainly, huge. All of a sudden, geography doesn't matter as much. An e-commerce website means that a business doesn't have to have a prime location in the city or even a traditional store at all.

Customers shopping online instead of in person leads to other benefits for businesses. Instead of marketing to an audience locally through more traditional advertising methods, online marketing is the focus in e-commerce. Concepts like search engine optimization (SEO), pay-per-click advertisements, and social media help level the playing field a bit. Costs are typically lower in online marketing than the

traditional marketing methods required to succeed in traditional retail. It's also cheaper to run an e-commerce store once you consider personnel costs versus what it takes to run an automated website. Having no real estate costs in e-commerce is another bonus.



Trends in E-commerce

What are some notable concepts that are impacting the world of e-commerce. You could find dozens upon dozens of examples, but here are just a few trends that demonstrate what businesses can do with online storefronts.

INFLUENCER MARKETING

Influencer marketing is a social media marketing strategy that uses influential people to draw attention to the product or brand.

Think of it as a new spin on having a spokesperson. However, influencer marketing is often more short-term in nature. In influencer marketing, a person is approached online by a business looking to capitalize on the influencer's considerable social media following. If that following is closely linked to the business's niche, then it makes for a good partnership. The influencer is paid for marketing a product or service. One example might be a fashion influencer being paid by an up-an-coming designer to showcase a new line of accessories.

Those types of relationships can exist in nearly any type of business. Across platforms like Instagram, Twitter, and even YouTube, influencer marketing can help businesses quickly get in front of a specific audience that they're trying to target.

ONE-CLICK PURCHASING

One-click purchasing is exactly what it sounds like. E-commerce stores can simplify the shopping process by enabling users to complete their entire purchase without having to go through several steps to checkout.

Both sides benefit from one-click purchasing. Customers save time by avoiding the need to select saved or default options, like shipping speed and payment method. Businesses can enhance their profits because one-click purchasing increases impulse buys. Additionally, this concept caters to mobile users who need to make a purchase when they don't have the time to spend with unnecessary checkout steps. If the system is as easy as possible to complete, consumers are more likely to make purchases at the site.

SOCIAL SHOPPING

Social shopping is another e-commerce trend that builds off the idea that making things easier for consumers to shop will result in increased profits. In social shopping, people viewing products on social media networks receive a direct link where they can make a purchase.

This feature has been integrated on Instagram and Pinterest. When people are searching for something like art project ideas for children or a way to decorate their home, they may come across a great activity or a set of matching pillows and blanket. In each scenario, viewers are finding a solution, but even if they're not looking to purchase something, they may be led to buy a product that can help. Providing a direct link enables businesses to make it as easy as possible to purchase the product. Similar to one-click purchasing, doing adding a direct link is a powerful way to increase sales.

SUBSCRIPTION SERVICES

Subscription services appeal to customers by providing a product that people need on a regular basis. Customers simply sign up for a subscription box, and every month they receive a new order.

What can shoppers get with subscription services? Just about anything. One of the most basic examples is for shaving products. Customers get the same thing every month or two, fulfilling a simple need. Businesses have expanded into all types of industries, including fashion, beauty, food, toys, and education. Imagine getting a delivery of makeup, clothes, or a certain type of snacks every so often. Mix that convenience in with the ability to personalize what you receive and being able to return what you don't like, and it's easy to see why subscription boxes are a big trend in e-commerce.

The Future of E-commerce

There's no question that e-commerce will continue to thrive and redefine the way business is done. Once, e-commerce was seen as optional for brick and mortar retailers, but now, the click and mortar model is alive and well. Perhaps business having a physical space is now the option.

Looking ahead, expect technology to better cater to customers. One of the biggest trends in e-commerce is personalization, and brands continue to make progress in that area. Integrating artificial intelligence will help e-commerce platforms predict what customers are looking for, based on past purchases and other indicators, like browser cookies that indicate how consumers arrived at the website. Artificial intelligence tools can also automate customer service, send automated engagement emails for marketing purposes, and compile data that can improve the overall e-commerce platform.

That's only the beginning of what the future of e-commerce holds, and businesses of all sizes need to be prepared. Learn the skills to help lead companies navigate e-commerce with an [online business degree](#) or an [online marketing degree](#). In a fully online format, you'll gain the knowledge and skills needed to thrive in the business world.

Both of these programs from Concordia, St. Paul feature small class sizes with a personal learning environment geared toward your success. Learn from knowledgeable faculty who have industry experience. Get started with CSP today.

95%

95% of CSP grads receive job offers within one year of graduation.

*First Destinations survey administered by Concordia University, St. Paul

\$57,736

Highest average salary among MN private school grads (bachelor's) four years after graduation.

*Salary data source: mnedtrends.org

44%

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*Graduate earning data source: collegescorecard.ed.gov



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