**1. What is E-Commerce?**

There exists no exact definition of e-commerce. Generally it is described as any kind of business transaction where information is exchanged electronically.

To some people it means shopping at a website and buying products online, to other people it means just designing a web page in a way to increase the customers' interest. It does not necessarily describe a process of ordering and paying online.

Electronic trading, in which a supplier provides goods or services to a customer in return for payment is just one special case of electronic commerce.

Other equally valid examples include internal transactions within a single company

or provision of information to an external organisation without any charge.

E-commerce is concerned with attracting new customers and therefore it involves advertising, public relations and collecting information for and about customers.

It's not enough to get an online order for a product, it's also necessary to have this product and to deliver it to the customer. So e-commerce includes, besides of interacting with customers electronically, all the things a "normal" business would also need.

**Categories of E-Commerce**

There are 3 categories of e-commerce:

* business-to-business (B2B)
* business-to-consumer (B2C)
* business-to-administration
* consumer-to-administration

An example in the **business-to-business** category would be a company that

uses an electronic way for ordering from its suppliers, receiving invoices and

making payments.

The **business-to-consumer** category means selling things to consumers via Internet. It is the most well-known form of e-commerce.

The **business-to-administration** category covers all transactions between companies and government organisations.

The same category exists for consumers and administration, though it is rather seldom.

As the B2C category is the most popular one, we will talk about it.

**Advantages of E-Commerce**

The following list describes of what may be the main advantages of e-commerce:

* lower transaction costs (if an e-commerce site is organised well, you won't even need any office equipment – however, it is rather seldom)
* availability (people from everywhere and at any time of the day can visit your site, get information and put orders)
* large quantity of information (a company can build a very large catalogue with a lot of information on the web – just think of Amazon with it's 3 Mio. articles)
* providing "up-to-date" information (you can update your site quickly and make important information available in time)
* comparing prices and products
* quickness (the customers' orders and enquiries can be handled immediately)

**Disadvantages of E-Commerce**

There are a lot of hard aspects about e-commerce as the recent failures in this branche show:

* making people to visit your site (getting traffic to come to your web site)
* how do you make yourself different from a (large) competition
* getting people to buy something at your site (people usually feel VERY uneasy about buying via Internet)
* you still need money (capital) to maintain your system and provide an effective customer support

So e-commerce does not mean that you can make profits easier than in a "normal" business. You have to manage all the activities concerned with marketing, finance, distribution, purchase and public relations.

These problems are the most relevat ones as competition grows all the time and people still try to avoid buying online. Stories about hackers using your credit card number or even large companies making losses in trying themselves in e-commerce – all this makes people even more sceptical about buying anything online.

However, this problems are also common in the old economy. So there are a few other hard aspects about e-commerce:

* legality (concerning international e-commerce companies; business contracts are defined differently by law in every country)
* ownership (the copyright problem is a very big one)
* privacy and security

**What is Popular With E-Commerce?**

Here you can see a list of products most popular with B2C e-commerce in Austria.

There were about 700.000 people who bought something via Internet in Austria in the year 2000.

Regardless of the rather bad development of the technology stock markets during the past few months, the number of people using internet to purchase products is likely to rise even more this year.

If we turn to the practical side of the whole thing, what are the most relevant details about

**Building an E-Commerce Site**

First of all, you need what your:

* suppliers (this is not different from a normal company – without good suppliers and efficient ways of purchasing goods you cannot offer products)
* prices (as price comparisons are very easy on the internet, you must have more competitive prices than the competition)
* customer relations (it means communicating with your (potential) customers efficiently – via e-mail, forums, chat-rooms, FAQ-pages, ... – try to provide as much information as possible)
* fulfillment and service (as for every other company in the "real" world you must provide quick and correct handling of the customers orders as well as an effective online-service)

will be.

**Implementing an E-Commerce Site**

Now you can step on to creating your site.

Generally there are 3 possibilities how you can do this:

* **enterprise computing** (E C means that you have to purchase your own software and hardware and hire your own team of developers and supporters just to create and maintain your site – big firms which are very frequently visited by customers would usually do this).
* **virtual hosting services** (VHS means that all the facilieties required (such as the necessary hard- and software, security, ...) is provided and maintaned by another firm, for payment, of course. Usually it is a company specialised in providing VHS).
* **simplified e-commerce** (Here you just pay a company specialised in developing e-commerce systems to create a simple site for you. You must already have the necessary hard- and software. The basic functions of a simplified e-commerce system include displaying a product catalogue, allowing users to browse through it and allowing them to buy items from it).

Most of the B2C e-commerce companies use one of these systems. And there are too many who just implement the simplified solution and forget about offering online customer support and help and even keeping the site up-to-date.

A lack of customer support is only one of the reasons why e-commerce is in a crisis now.

**Trends for the future**

As you can see on the graph the purchase rates are rising steadily. A recent study found out that most e-commerce website owners are generally optimistic. Three-quarters say their online market is expanding, while two-thirds say their ability to attract new customers is improving. Half of those polled say they are also seeing increased loyalty from past customers. So, as the customers get used to e-commerce, it becomes more popular. It may not replace the common way to buy and sell products but for most companies it offers new ways to reach their customers.

E-Commerce

security

**Categories of E-Commerce**

payment

**business**

**business**

**consumer**

**administration**

**Benefits of E-Commerce**

* lower transaction costs
* availability
* large quantity of information
* providing "up-to-date" information
* comparison of prices and products
* quickness

**Disadvantages of E-Commerce**

* hard to make yourself "visible"
* hard to differ from competition
* hard to make people buy something
* money
* legality
* ownership
* privacy and security

Products People Buy via InternetConsumer Spending at European Sites 1997-2002

