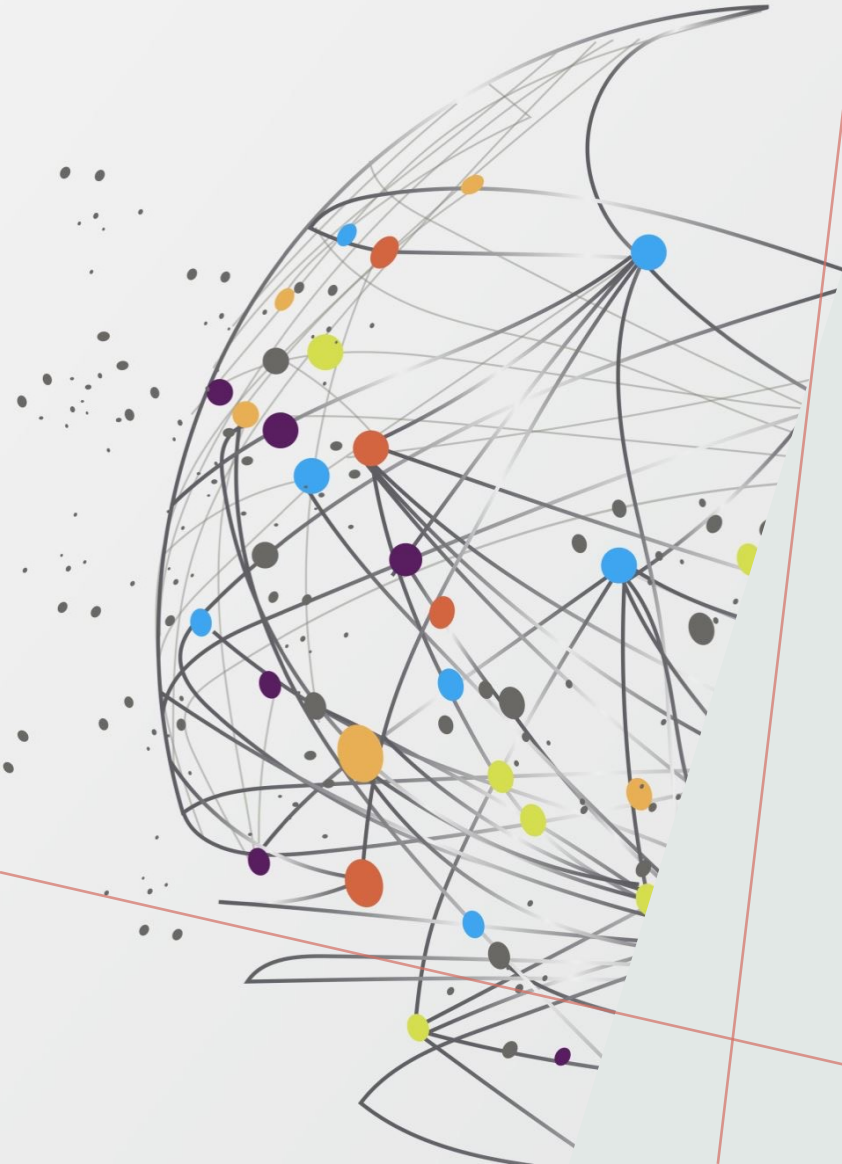JEREK JOSEPH

The Role of E-Commerce in a Global Environment

What we need to know

- Here are all the topics this PowerPoint aims to cover from the BME Y12 Syllabus.

  - the role of e-commerce in a global environment

Defining e-commerce

E-commerce (electronic commerce) refers to the **commercial trading of goods and services, funds or data, over the Internet.**

It involves the four following marketing functions:

Customer to Customer (C2C) – the market environment where one customer purchases goods or services from another customer through a third party, which charge a flat fee or commission. i.e. Amazon or eBay

Business to Customer (B2C or retail ecommerce) – an increasingly safe business model with new security technologies, where sales are conducted between online businesses and consumers. i.e. Netflix, PayPal, Uber and Adobe

Business to Business (B2B) – where one business utilises online platforms to conduct commercial transactions directly a business. i.e. Microsoft, Intel, and HSBC

Business to Employee (B2E) – allows a firm to deliver administrative functions, services or products within the firm to its employees. i.e. Online training, B2E Portals (such as Moodle, Self Service or Compass!), and employee benefits

Security Issues of E-Commerce

As businesses adopt e-commerce to better reach out to their customers and remain relevant in a technologically gifted era, it isn't without its own draw backs.

- Scams – dishonest schemes are carried out by malicious actors by generally posing as a firm to take advantage of unsuspecting people to gain a benefit. i.e. money, personal details

- Fraudulent Trade – there are limited ways for buyers to verify the authenticity of items that are being sold online

- Spam – unethical, unsolicited and inappropriate marketing messages are sent to consumers. An alarming rate of 40% of daily emails are considered to be spam nowadays!

- Lack of regulatory legislation – both internationally and nationally there remains ambiguous (unclear) oversight on taxation, payment safety, age restrictions, licencing and permits which makes operating an e-commerce business as well as being a customer of one riskier than traditional physical businesses.

- Data security – a business needs to ensure that the electronic payment systems they use have a wide range of security access levels, is continually developed against security breaches/challenges and complies with privacy legislation. Currently businesses use other businesses such as Stripe, PayPal, and Shopify rather than developing their own because of this, however should a firm develop their own platform the same considerations must be made.

Impacts of Security Issues

A business can experience the following damages from the security issues mentioned earlier.

- **Loss of brand image and reputation** if a business is not following best practises for data security, is easily impersonable or breached etc.

- **Loss of sales and revenue** – should a firm engage in spam or have unverifiable (possibly fraudulent) trading consumers may decide to abandon their online purchases

- **Increase costs** – as firms seek to remedy the issues present, they may need to spend more than budgeted which could potentially cause a reduction in profits if these associated costs weren't forecasted properly.

The Solutions to the Security Issues

Installing and implementing firewalls, antiviruses, multifactor authentication on both a business' e-commerce infrastructure and the end customers. This way a customer is less susceptible to malicious programs from scams and a firm can guard their e-commerce data safely

Provide vendor details, order and delivery dates, and contact details on invoices – this way a customer can be certain they are working with a legitimate business

Instate a comprehensive review system and returns policy – this is especially important if your business is an online platform allowing other businesses to sell items. This way poor quality/fraudulent firms can be easily identified through bad reviews and goods not up to standard can be returned. This all serves to protect customer relationships.

Digital encryption – a business should always use encryption where possible to send communications (such as emails) and payments as it is the most widely available security measure against fraud

Product and E-Commerce

Greater urgency to invest in research and development – as a result of e-commerce markets are consolidated to one global market for **all** firms to compete in. As such it is crucial a firm differentiates their products by investing into R&D.

Opportunity to stock a wide range of products than brick-and-motor stores – e-commerce businesses do not need to pay for expensive storefronts or hire the employees associated with them. This diverts investment into warehouses instead which have higher capacity for products.

More options to cater towards customers – individual requirements can be built into goods and services to tailor to customers through online customisation and/or contact forms.

Price and E-Commerce

Facilitation of a more competitive business environment – this as a result puts a downward pressure on prices which can reduce a firm's profit margins if expenses aren't managed appropriately. However it can also drive further sales.

Cost savings from distribution phase and reduced overheads can be passed onto consumers to remain competitive in the global market

Competitive pricing strategies are encouraged as customers can easily compare prices across multiple platforms it is important a firm can further differentiate from just having low prices. Some examples of these strategies are bundling products together at a lower price, free shipping, price match and beating, and adjusting prices based on real-time factors (demand, inventory, competitors).

Promotion and E-Commerce

Need for have a greater digital presence in order to remain competitive (i.e. multiple social media accounts, Google search ads, etc)

Need to capitalize on reduce costs and wide exposure in order to provide competitive pricing and grow customer base

Search Engine Optimisation (SEO) – firms need to target specific keywords and search habits, so they gain more exposure from consumers and increase their visibility on search results (i.e. first link on a Google search)

Targeted marketing – sending relevant digital communication to specific consumers via email, websites and mobile services. The more relevant communications are, the more likely the consumer will act (i.e buy a good).

Miscellaneous – YouTube, QR codes, Paid search, text messages, pop-ups

Advantages	Disadvantages
- **Inexpensive** – overhead costs are reduced (rent, storage, insurance, staffing). - **Shorten Cash on Delivery (COD) through B2C** – allows firms to sell quicker to anyone in any part of the world at any time of the day (breaks geographical barriers). This enables faster payments for goods and services. - **Revenue stream** – selling advertising space on a firm's platforms can increase profit (i.e. Facebook) - **Wider customer base and brand awareness** as a result of a world-wide reach and more awareness digitally - **Customer interaction** – feedback and analytics collected from e-commerce platforms can be used to improve - **Low barriers to enter** new market segments - **Increase in analytics available to a firm** as online platforms typically have engagement, sales conversion etc tools built into them	- **Security issues** (see earlier slides) - **Product returns increase** – as with larger volume of customers a firm gets from e-commerce there is typically a larger rate of returns with physical goods - **Obsolescence** – rapid changes in technology can lead to rapid obsolescence, and reduce competitiveness - **Cannibalization of Sales Channels** – switching to an e-commerce model may lead to a rise in sales on the digital platform, that could reduce physical sales and lead to an overall reduction in sales - **Strong dependence** on technology which can fail resulting in periods of no sales - **Reduced privacy for consumers** – can deter customers

THE CASE FOR E-COMMERCE

Risks of E-Commerce

Quality of internet services – depending on internet service providers, some consumers may have access to low-speed or poorly routed internet connections that limit their ability to purchase online

Privacy – a lack of attention from a business regarding consumer privacy can make the business more susceptible to bad publicity and breaches that result in data/identity theft

Tax – when paying for foreign goods via the Internet, domestic currency flows out of the country which ultimately lowers the exchange rate and disrupts the balance of payments. This has led countries like Argentina to impose a 35% online foreign sales tax.

E-Commerce and Social Media

Social media is a collective of online communications channels which serve a dedicated purpose of providing community-based input, interaction, content sharing and advertising.

Social media <u>campaigns</u> can present the following benefits

- **Increased customer base and revenue** through greater exposure

- **Brand development** – opportunities to interact with customers and shape a firm's public image

- **Research opportunities** – through customer feedback/blogs and engagement with ads (i.e. how many clicks, shares, retweets etc)