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HOW E-COMMERCE WORKS

Ecommerce is a strange animal. On the one hand, it seems like it is the new kid on the block -- one that will revolutionize the way business is transacted online. On the other, its business model often seems identical to physical retail that has been around for centuries.

The truth is that both points of view are valid. Ecommerce does much the same as physical retail. However, the fact that it operates digitally, introduces some unique business elements. Here is how ecommerce works.

A Product or Service Needs to Be Sold

This goes to the heart of commerce. There has to be an exchange of value. If one of the parties to the transaction is paying money, the other one should provide a product or service in return. We have reached a point where almost all goods that sell in physical stores also sell on ecommerce websites -- gadgets, books, automobiles, grocery, toys, and apparel among others.

The ecommerce era has also enabled easy sale of new categories of products. One example would be digital goods such as music, ebooks, software and the like. In addition, ecommerce enables easy transactions in a wide variety of goods such as air tickets and magazine subscriptions .

There Should Be a Mechanism to Accept Orders

When the customer has browsed through your ecommerce website and decided that they would like to buy, there has to be a process that accepts their order. The software that runs this process is called a shopping cart .

In addition to making a note of what is being purchased and updating the order database, the shopping cart performs several other tasks:

- computation of taxes and other levies
- processing of coupons and other discounts
- capturing the billing and delivery address of the customer
- upselling to the customer
- ensuring user acceptance of terms of service and other conditions of sale
- creation of codes, such as invoice numbers, order number, tracking number and the like
- presenting customers with delivery options and adding the corresponding fee
- forwarding customers to the payment gateway
- In the case of downloadable digital goods, redirecting paid customers to the download page.

We Need a Payment Mechanism

There are some ecommerce websites , especially in the business-to-business space that might provide credit for purchases. In most cases, an ecommerce transaction involves transacting money. This process is conducted by a piece of software called the payment gateway .

The payment gateway :

- Presents a customers with payment options
- Accepts identification details, such as credit card numbers
- Authenticates customers using a password, CVV code, or multiple factors of authentication.

The Product Needs to Be Delivered

It is always said that effective logistics is the key to a successful ecommerce business . One of the most disappointing features of online purchase is the indeterminate and inordinate delay in receiving goods.

As a result, ecommerce businesses need to ensure that the right product is

delivered to the customer, in good condition, and within the period that the customer expected. Since logistics is a specialized function, several ecommerce businesses outsource it to third party logistics providers.

Customers Need to Be Serviced

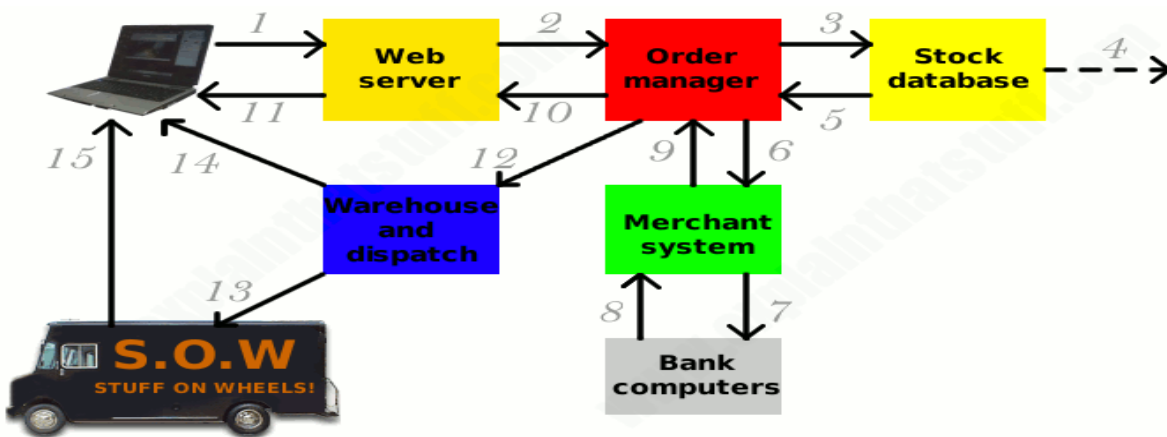
Customers need to be serviced pre-sales as well as post sales.

Before the sale, customers might have queries about product features that are not mentioned on the website. They might have questions about customization and accessories.

After the sale, customers might have queries related to the usage, repair or enhancement of the products or services that they have already purchased.

Reverse Logistics Need to Be Managed

There is no such thing as an error-free product. As a result, some products will be damaged or stop functioning right. Sometimes the wrong product will be delivered. Such error or damage triggers the reverse logistics process. In the usual mode, goods move from the ecommerce business to the customer. In reverse logistics, the flow is in the opposite direction.



ADVANTAGES OF E-COMMERCE

1 . Overcome Geographical Limitations

If you have a physical store, you are limited by the geographical area that you can service. With an ecommerce website, the whole world is your playground.

Additionally, the advent of mcommerce, i.e., ecommerce on mobile devices, has dissolved every remaining limitation of geography.

2 . Gain New Customers With Search Engine Visibility

Physical retail is driven by branding and relationships. In addition to these two drivers, online retail is also driven by traffic from search engines. It is not unusual for customers to follow a link in search engine results, and land up on an ecommerce website that they have never heard of. This additional source of traffic can be the tipping point for some ecommerce businesses.

3 . Lower Costs

One of the most tangible positives of ecommerce is the lowered cost. A part of these lowered costs could be passed on to customers in the form of discounted prices. Here are some of the ways that costs can be reduced with ecommerce:

- Advertising and Marketing
Organic search engine traffic, pay-per-click, and social media traffic are some of the advertising channels that can be cost-effective.
- Personnel
The automation of checkout, billing, payments, inventory management, and other operational processes, lowers the number of employees required to run an ecommerce setup.

- Place to do the business

This one is a no-brainer. An ecommerce merchant does not need a prominent physical location.

4 . Locate the Product Quicker

It is no longer about pushing a shopping cart to the correct aisle, or scouting for the desired product. On an ecommerce website, customers can click through intuitive navigation or use a search box to immediately narrow down their product search. Some websites remember customer preferences and shopping lists to facilitate repeat purchase.

5 . Eliminate Travel Time and Cost

It is not unusual for customers to travel long distances to reach their preferred physical store. Ecommerce allows them to visit the same store virtually, with a few mouse clicks.

6 . Provide Comparison Shopping

Ecommerce facilitates comparison shopping. There are several online services that allow customers to browse multiple ecommerce merchants and find the best prices.

7 . Enable Deals, Bargains, Coupons, and Group Buying

Though there are physical equivalents to deals, bargains, coupons, and group buying, online shopping makes it much more convenient. For instance if a customer has a deep discount coupon for turkey at one physical store and toilet paper at another, she may find it infeasible to avail of both discounts. But the customer could do that online with a few mouse-clicks.

8 . Provide Abundant Information

There are limitations to the amount of information that can be displayed in a physical store. It is difficult to equip employees to respond to customers who require information across product lines. Ecommerce websites can make additional information easily available to customers. Most of this information is provided by vendors, and does not cost anything to create or maintain.

9 . Create Targeted Communication

Using the information that a customer provides in the registration form, and by placing cookies on the customer's computer, an ecommerce merchant can access a lot of information about its customers. This, in turn, can be used to communicate relevant messages. An example: If you are searching for a certain product on Amazon.com, you will automatically be shown listings of other similar products. In addition, Amazon.com may also email you about related products.

10 . Remain Open All the Time

Store timings are now 24/7/365. Ecommerce websites can run all the time. From the merchant's point of view, this increases the number of orders they receive. From the customer's point of view, an "always open" store is more convenient.

11 . Create Markets for Niche Products

Buyers and sellers of niche products can find it difficult to locate each other in the physical world. Online, it is only a matter of the customer searching for the product in a search engine. One example could be purchase of obsolete parts. Instead of trashing older equipment for lack of spares, today we can locate parts online with great ease.

12. Lower transaction costs

If an e-commerce site is implemented well, the web can significantly lower both order-taking costs up front and customer service costs after the sale by automating processes.

13. Larger purchases per transaction

Amazon offers a feature that no normal store offers. When you read the description of a book, you also can see "what other people who ordered this book also purchased." That is, you can see the related books that people are actually buying. Because of features like these it is common for people to buy more books that they might buy at a normal bookstore.

14. Integration into the business cycle

A Web site that is well-integrated into the business cycle can offer customers more information than previously available. For example, if Dell tracks each computer through the manufacturing and shipping process, customers can see exactly where their order is at any time. This is what FedEx did when they introduced on-line package tracking - FedEx made far more information available to the customer.

15. People can shop in different ways

Traditional mail order companies introduced the concept of shopping from home in your pajamas, and e-commerce offers this same luxury. New features that web sites offer include the ability to build an order over several days, configure products and see actual prices, easily build complicated custom orders, compare prices between multiple vendors easily and search large catalogs easily.

16. Larger catalogs

A company can build a catalog on the web that would never fit in an ordinary mailbox. For example, Amazon sells millions of books. Imagine trying to fit all of the information available in Amazon's database into a paper catalog!

17.Improved customer interactions

With automated tools it is possible to interact with a customer in richer ways at virtually no cost. For example, the customer might get an email when the order is confirmed, when the order is shipped and after the order arrives. A happy customer is more likely to purchase something else from the company.



TIPS FOR SUCCESSFUL E-COMMERCE BUSINESS

1 . Differentiate Your Business

Why should a customer visit you? Do you sell exclusive merchandise? Do you offer the lowest price? Does your customer service set you apart?

Answers to these "soul searching" business questions will lead you to develop your USP. Every business needs to differentiate itself. As an ecommerce business, you cannot hope to sell everything to everybody.

This can be proving wrong by pointing out Amazon.com. It sells everything, from books to fresh shrimp! Sure, if you are an Amazon.com, go for it. But short of that, make sure that your business stands for something specific in the minds of consumers.

One way to differentiate your business is to solve at least one problem that customers face -- especially a problem that no one else is solving.

2 . Get Your Technology Right

With the kind of robust ecommerce software and hosting available these days, there is no excuse for ecommerce websites that don't work. But getting technology right is not just about having a bug-free website. It is also about using technology to achieve business ends.

For example, there was a time when several ecommerce businesses set up a blog on their website. Today, many of those blogs seem like neglected graveyards. Similarly, I have come across more than one ecommerce business that treats SEO (Search Engine Optimization) as the solution to all its problems.

3 . Don't Make Customers Run Around in Circles

Common sense dictates that a business should make purchase convenient. Surprisingly, some ecommerce websites complicate the purchase. Instead of simplifying the process, they make a first-time visitor:

- Fill up a registration form
- Click a link in an email
- Login
- Go through a series of mouse clicks, even after they have added goods to the shopping cart; all along clicking "No" to the up-sells that are being thrown at them.

Even the most successful ecommerce businesses find that 20 to 30% of their customers abandon their shopping carts before paying up. These numbers are much worse for ecommerce businesses that are not customer friendly. The message is loud and clear: many customers refuse to run around in circles.

4 . Secure Your Supply Chain

Order fulfillment takes place behind the scenes. But its consequences are felt by customers. Incorrect, damaged, delayed, or missing merchandise can ensure that the customer never returns to you.

Supply chain management as a discipline predates ecommerce. Consequently, reliable service providers are available for several aspects of sourcing and fulfillment. All ecommerce businesses outsource some part of their supply chain. But outsourcing must be a strategic choice and not an abnegation of responsibility.

Even the most impressive website design, and shopping cart conversion strategies, will amount to nothing if your supply chain is substandard.

5 . Be Cost Effective

As gross margins reduce to single-digits, ecommerce businesses are selling more but reducing profits. This is not sustainable. All ecommerce businesses are tempted to cut prices. Ecommerce has seen price wars that led to the demise of several players.

Some businesses choose to price high, while others offer deep discounts. But when it comes to cost management, there cannot be divergent views. Only ecommerce businesses with effective cost control processes will survive.



EASY & HARD ASPECTS OF E-COMMERCE

The things that are hard about e-commerce include:

- Getting traffic to come to your Web site
- Getting traffic to return to your Web site a second time
- Differentiating yourself from the competition
- Getting people to buy something from your Web site. Having people look at your site is one thing. Getting them to actually type in their credit card numbers is another.
- Integrating an e-commerce Web site with existing business data (if applicable)

There are so many Web sites, and it is so easy to create a new e-commerce web site, that getting people to look at yours is the biggest problem.

TOP SEVEN MISTAKES TO AVOID ON ECOMMERCE SITE

- Compulsory login
- Broken or Missing Stuffs
- Poor Graphic Design
- No Advance Search Bar
- Poor Customer Services
- Tiny and Small Fonts
- Lack of Filter Navigation

The infographic includes several illustrations: a computer monitor displaying a 'Compulsory Login' button, a blue folder icon labeled 'No advanced search' with a magnifying glass, a cartoon man in a suit looking frustrated while talking on a red telephone, and a broken chain link.

BUILDING AN E-COMMERCE SITE

The things you need to keep in mind when thinking about building an e-commerce site include:

- **Suppliers** - this is no different from the concern that any normal store or mail order company has. Without good suppliers you cannot offer products.
- **Your price point** - a big part of e-commerce is the fact that price comparisons are extremely easy for the consumer. Your price point is important in a transparent market.
- **Customer relations** - E-commerce offers a variety of different ways to relate to your customer. E-mail, FAQs, knowledge bases, forums, chat rooms... Integrating these features into your e-commerce offering helps you differentiate yourself from the competition.
- **The back end**- fulfillment, returns, customer service - These processes make or break any retail establishment. They define, in a big way, your relationship with your customer.

When you think about e-commerce, you may also want to consider these other desirable capabilities:

- Gift-sending
- Affiliate programs
- Special discounts
- Repeat buyer programs
- Seasonal or periodic sales

The reason why you want to keep these things in mind is because they are all difficult unless your e-commerce software supports them. If the software does support them, they are trivial.

E-COMMERCE SITE WORK ON REGULAR BASIS

- Creating product Catalogue
- Creating Offers
- Product management
- Creating Testimonials
- Creating FAQ's
- Static content management
- Creating banners & uploading on the website on regular basis
- Creating Promo code & its management



E-COMMERCE SITE BACK OFFICE WORK

- View orders
- Manage stocks
- Call to customers if the order is COD(Cash on Delivery) basis
- Forward orders to respective Suppliers/Franchisee(if applicable)
- Create Dispatch Advice
- Create Shipping Labels
- Create & Print Invoice
- Send customer details & order information to Logistic companies
- Updating shipment details in back end
- Replying email/Phone calls related to order dispatch
- Return Product management
- Debit note preparation
- Email /SMS notification about return money to customers
- Business Intelligence & MIS reporting on daily basis



A brief history of e-commerce

- 1887: US statistician **Herman Hollerith** (1860–1929) sets up the forerunner of **IBM** (International Business Machines), a company that will pioneer electronic forms of doing business in the decades that follow.
- 1950s–1960s: **IBM** pioneers online transaction processing (OLTP): a way of handling money transactions instantly (in "real-time") using sophisticated computerized systems. With **American Airlines**, IBM develops an OLTP system called SABRE (Semi-Automatic Business Research Environment) that revolutionizes airline reservations. In 1969, IBM's transaction-processing software evolves into CICS (Customer Information Control System), one of its least-known but most successful products.
- 1970: US company **Docutel** invents the ATM (automated teller machine, also known as the "cashpoint"), which works using online transactions made through bank computers. The popularity of ATMs leads to even more sophisticated forms of transaction processing.
- 1980s: **CompuServe**, **Prodigy**, and **AOL** (America Online) let people shop from home using their computers and telephone lines.
- 1989: **Tim Berners-Lee** (1955–) invents the World Wide Web, unwittingly laying the foundations for an explosive growth of e-commerce in the years that follow.
- 1994: **Jeff Bezos** (1964–) founds Amazon.com, the iconic e-store.
- 1994: **Marc Andreessen** (1971–) develops the Netscape Navigator web browser, which ships with a feature called SSL (Secure Sockets Layer): built-in encryption that allows credit card transactions to be carried out securely online. There is a huge explosion in online shopping and business and the dot.com phenomenon begins.
- 2000/2001: The dot.com bubble bursts and over 750 online businesses go to the wall. At one point, Amazon.com's share price plunges to less than 10 percent of its original value.
- 2008: E-commerce represents about 3.4 percent of total sales.
- 2012: The US Census Bureau reports that US e-commerce retail sales for the second quarter of 2012 are \$51.2 billion (adjusted for seasonal variation). In 2Q 2012, e-commerce represents about 4.7 percent of total sales (up from 4.2 percent one year before).