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e-Commerce Foundations

Marian Betts

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Abstract

This paper addresses the following questions posed to the writer:

- What are two possible disadvantages of electronic commerce?
- What are the three payment models for electronic commerce?
- Identify specific business-to-business (B2B) and business-to-consumer (B2C) issues in developing an eCommerce site.

Project 1 - eCommerce Foundations

- *Two Possible Disadvantages of Electronic Commerce*

Two possible disadvantages of electronic commerce are meeting international/national regulations and ensuring security, both for the customer and for the merchant.

International and national regulations cover a gamut of issues from taxation to import/export prohibitions. Taxation issues become even more complicated beginning at state boundaries; for instance, if a person in Indiana were to purchase a product from New York, do they pay New York taxes or Indiana taxes, or no taxes at all? What about the seller? What taxes do they have to pay on product sold to someone outside their state?

A similar issue faced when importing or exporting product from one state to another state, or one country to another is prohibitions or bans. Within the United States a good example is California's ban on any fruit, plants or flowers crossing their boarders by private vehicle. Is it possible to ship fruit from a state in the Midwest to California and get through that ban?

This brings us to the second possible disadvantage of E-Commerce: Security. Security issues can be argued from both the seller's and the buyer's point of view. Securities must be in place to make sure regulations and taxations are covered, but there are other issues that face both the seller and the buyer. For the seller, the risks are multiple, from the loss of intellectual property such as articles or photographs on the site, to verifying funds before shipping product out. For the buyer, the concerns should include the credibility of the seller in the representation of the product as well as the ability to deliver on time and in good condition. And for both the seller and the buyer, the chance of theft of identity also is a major concern, as is the fraudulent use of credit, especially credit card holders. The U.S. Electronic Funds Transfer Act has limited the liability of the cardholder to $50.00 in the case of fraud, but what about the seller? Who protects the seller from the loss of product and income in the case of this type of fraud?

- *Three Payment Models for Electronic Commerce*

Cash Model - "The cash model, or e-cash, is the easiest to understand, but the hardest to implement on the Web. E-cash is analogous to the minting of electronic money or tokens. In electronic cash schemes, the buyers and sellers trade electronic value tokens, which are issued or backed by some third party, usually an established bank.

"The buyer (customer) purchases the digital equivalent of money from an established bank and deposits it in a digital wallet, which is stored on the computer. When he or she makes a purchase from a Web site that accepts e-cash, the ordering software automatically deducts the correct amount from the customer's digital wallet. The advantage is that during a transaction, funs are transferred immediately and no back-end processing is required." [1]

Check Model - "Using this model, a customer present a digital version of a check to a web storefront. The digitized check is encrypted using the appropriate technologies. The web storefront verifies the check through its financial institution, which in turn consults the customer's financial institution to ensure that funds are available. The biggest disadvantage of this model, at least for the storefront, is that the funds are not transferred immediately." [1]

Credit Model - “The credit model works well on the web, partly because existing credit-card processing already uses much of the network infrastructure needed for electronic commerce. For instance, when presented with a credit card, a merchant in a traditional transaction scans the card through a reader and in turn authorizes the transaction through a financial institution. This authorization may be performed over the existing phone network using modems.

"On the web, after a customer enters the credit card number on the web order form, the Internet issued to deliver that information to an authorized server. From that point on, the transaction proceeds similarly in both the traditional commerce and the electronic commerce scenarios: Assuming that authorization succeeds and enough funds are available in the customer's account, a capture transfers the funds from the customer's bank to the merchant's account." [1]

- *Specific Business-to-Business (B2B) and Business-to-Consumer (B2C) Issues in Developing an eCommerce Site*

In developing an eCommerce business, including its website, one must follow the same procedures as any other business. Begin with a good business plan, mapped out specifically so that those who will use it can understand exactly what part they play and how they will affect the rest of the business. The first issue to be addressed even before the site opens is reliable stock suppliers, whether that is direct shipping from a warehouse, direct printing of images, books etc, or a local supply that must be packed and shipped from the back end of the business. If this is not set up first, then the business is going to be scrambling from the moment they open the website, and, from experience I will say they have a poor chance of success.

One specific issue that needs to be addressed before the opening of the eCommerce site is the hours-of-business. Will it have around-the-clock availability, not only of the site, but access to a human through phone or live chat? This can be a big challenge for a start-up company. Careful consideration needs to be used in deciding this important issue. Would it be monetarily worthwhile to employ enough people to monitor the site 24/7, or would it be financially better to state specific hours of operation with a, say, 24 hour turn-around time for e-mail response? The second scenario would lose you the spontaneous – must have right now – crowd, but the more serious, deliberate, possibly returning customer, might be willing – might even appreciate the time it takes to respond in person to an e-mail.

After ensuring a good product supply, and determining the hours of business, the other challenges include customer service, an e-banking solution, shipping and receiving, database maintenance and bookkeeping, advertising, and finally the development of a good. Advertising can come before the site opens – wetting the appetite and interest of potential customers to be ready and anxious for the grand opening. Examples of this can be seen in the excellent advertising of Verizon for their iconic devices well in advance of their arrival. The day of the arrival, the phones are flooded with calls for the new, iconic device, so that Verizon has to double up on their already massive customer service availability.

In conclusion, as with any business, proper preparation, due diligence, a good business plan, dependable suppliers, secure banking system, an excellent staff, a functioning website and good advertising and marking plan before opening the doors, will help to ensure a successful business.

References

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2. Personal experience as a B2B and B2C owner, customer service representative, web designer