**Electronic Commerce**

**Electronic commerce,** also known as **e-commerce,** is the buying and selling of goods over the Internet. Have you ever bought anything over the Internet? If you have not, there is a very good chance that you will within the next year or two. Shopping on the Internet is growing rapidly and there seems to be no end in sight.

The underlying reason for the rapid growth in e-commerce is that it provides incentives for both buyers and sellers. From the buyer’s perspective, goods and services can be purchased at any time of day or night. Traditional commerce is typically limited to standard business hours when the seller is open. Additionally, buyers no longer have to physically travel to the seller’s location. For example, busy parents with small children do not need to coordinate their separate schedules or to arrange for a baby sitter whenever they want to visit the mall. From the seller’s perspective, the costs associated with owning and operating a retail outlet can be eliminated. For example, a music store can operate entirely on the Web without an actual physical store and without a large sales staff. Another advantage is reduced inventory. Traditional stores maintain an inventory of goods in their stores and periodically replenish this inventory from warehouses. With e-commerce, there is no in-store inventory and products are shipped directly from warehouses.

While there are numerous advantages to e-commerce, there are disadvantages as well. Some of these disadvantages include the inability to provide immediate delivery of goods, the inability to “try on” prospective purchases, and questions relating to the security of online payments. Although these issues are being addressed, very few observers suggest that e-commerce will replace bricks-and-mortar businesses entirely. It is clear that both will coexist and that e-commerce will continue to grow.

Just like any other type of commerce, electronic commerce involves two parties: businesses and consumers. There are three basic types of electronic commerce:

• **Business-to-consumer (B2C)** involves the sale of a product or service to the general public or end users. Oftentimes this arrangement eliminates the wholesaler by allowing manufacturers to sell directly to customers. Other times, existing retail stores use B2C e-commerce to create a presence on the Web as another way to reach customers.

• **Consumer-to-consumer (C2C)** involves individuals selling to individuals. This often takes the form of an electronic version of the classified ads or an auction.

• **Business-to-business (B2B)** involves the sale of a product or service from one business to another. This is typically a manufacturer–supplier relationship. For example, a furniture manufacturer requires raw materials such as wood, paint, and varnish.