

ENTREPRENEURSHIP AND DESIGN THINKING

LECTURE 8: ELECTRONIC COMMERCE AND ENTREPRENEURSHIP

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Overview

- In the last lecture we looked at marketing requirements for an entrepreneur, where we mentioned digital marketing essentials.
- Given the place of technology and the trends within the consumers it is becoming important for entrepreneurs to push their boundaries and even operate as if there are no boundaries.
- Electronic commerce (e-commerce) is enabling this shift. This topic will delve deeper into how an entrepreneur can use this platform to grow their venture.

Learning Outcomes

- Define ecommerce and its benefits to an entrepreneur
- Pick the evolution and trends in ecommerce
- Identify the challenges in ecommerce
- Choose the right ecommerce business model for your venture



Source: jumia.co.ke

Introduction

- E-commerce involves buying and selling goods and services over the internet, including online transactions and digital payments.
- It encompasses a wide range of activities such as products, services, banking, investment among others
- It operates in all four major market segments: business to business (B2B), business to consumer (B2C), consumer to consumer (C2C), and consumer to business (C2B)

How does e-commerce differ from traditional commerce (Advantages)

- **Reach:** E-commerce has the potential of breaking down the geographical barriers allowing a business to reach the global population. This is not the case for the traditional business which is restricted to its immediate boundaries
- **Convenience:** E-commerce business is taunted as operating 24/7, meaning it does not close, while for traditional business, night may mean closer.
- **Product Range:** E-commerce may have a very wide range of products and variety unlike the traditional business which may be limited to what can fit in a physical store.
- **Customer interaction:** Remember what we talked about in BMC under customer relationship and channels? For e-commerce this is indirect, there is use of emails, chats and automated systems
- **Cost:** E-commerce businesses are likely to have lower operating costs as the cost associated with physical storefronts is not there. Heavy automation allows the business to also save on cost
- **Personalization:** Through the use of data analytics and AI, e-commerce can personalize your shopping experience leading to a more satisfied customer and improved patronage.
- **Expansion potential:** e-commerce has more potential to scale without attracting the same cost a brick and mortal business would attract.

E-commerce Models

1. Business to Business (B2B)

- These are the transactions that happen between businesses.

- It entails companies selling products or services to other companies
- Example would be Alibaba, a marketplace where other companies can buy goods from.

2. Business to Customer (B2C)

- This is where the business sells its products or services directly to consumers
- This is the most common form of e-commerce
- A good example in this category is **Amazon**, where you and I can purchase variety of products
- **Netflix** offer us (its customers) a streaming service directly

3. Consumer to Business (C2B)

- In this category, individuals sell/supply products or services to businesses
- Not a common form of business, but the growth is eminent
- A good example is **Shutterstock**, which allows individuals photographers and artists to sell their image and artwork to businesses for use in marketing and advertising.

4. Consumer to Consumer (C2C)

- In this category, it involves transactions between consumers
- It is usually facilitated by a third party (often a platform)
- A good example here would be eBay, which is an online auction site

Evolution and Growth of E-commerce

- E-commerce began in the early 1990s with the advent of the internet
- The early adopters were Amazon and eBay
- In the late 1990s, there was surge in dot-com businesses but so many failed because of unsustainable business models (Emb, 2024).
- After the late 1990s bumble, the industry started to mature in 2000
- Those that had survived the period were now on growth trajectory
- There were better payment methods and gateways and better logistics solutions
- With the rise of mobile phone penetration and growth of smartphones, we have witnessed a serious growth in mobile commerce (m-commerce)

- M-commerce is projected to hit \$ 3.4 trillion by 2027 in sales (Jobanputra, n.d.)

Trends in E-commerce

- **Use of AI:** E-commerce is heavily reliant on artificial intelligence (AI) to provide a very personalized shopping experience. For instance, AI can use your browsing history to make shopping recommendations
- **Privacy and Security concerns:** There is growing concern from consumers about the privacy of their information as they transact in e-commerce
- **Innovation in Supply Chain:** In their bid to improve efficiency, e-commerce businesses are always innovating to improve speed and efficiency. For instance, use of robots and drones.
- **Virtual and Augmented Reality (VR/AR):** This is helping to bring a different level of realism to shoppers as they can visualize products in real life settings
- **Ethics and Sustainability:** Consumers are increasingly becoming concerned about environment and ethics, this has seen more businesses adopt eco-friendly practices
- **Social media:** The growth of social media has also had an impact in e-commerce, and this has seen the advent of “social commerce” where customers can purchase directly from social media apps (Jobanputra, n.d.).
- **Voice assistants:** There is advent of voice commerce, for example Alexa and Google Assistant help shoppers using voice commands.

Challenges of e-commerce from an entrepreneur perspective

- **Building and maintaining the platform:** Successful e-commerce requires customer friendly sites and seamless payment gateways; all these are costly to develop and to maintain for a start-up.
- **Cybersecurity Threats:** Instances of data breaches are constant headache that entrepreneurs will have to deal with. These are normally costly to their venture especially cases of ransomware.

- **Logistic management:** One of the biggest headaches that entrepreneurs must deal with and was the main cause of the downfall of many dot.com in the late 1990s is logistics. International shipping is a complex activity that is not handled properly.
- **Building Trust:** For a new start-up, it is not easy to build trust and credibility, it takes time and resources to do so.
- **Stiff competition:** The e-commerce space is highly competitive and all fighting for the same market, therefore becoming recognized in such a space is a tough game especially for small entrepreneurs.
- **Complicated legal frameworks:** There are complex web of e-commerce laws and regulations which make it uphill tasks for an entrepreneur to adhere to.
- **Cultural differences:** The intricacies of operating in different countries, regions and cultures are a real and continuous challenge that entrepreneurs will have to deal with. Having to adapt your website, marketing, and products to different cultures/markets is not easy or inexpensive.

Setting up an online store-Design Thinking way

- **Understand:** Carry out research to understand your niche, market demand, competition and target audience
- **Observe:** Observe consumer behaviors, identify their preferences, taste and pain points. Turn to competitors and industry to gather insights. Engage with actual customers, mirror their purchase journey.
- **Synthesis:** From the information derived in observe and understand define the core problem and an insight for your business, what value will you deliver and how.
- **Ideate:** Generate ideas for your online store; such as the website, product offering, marketing strategies. Remember to develop as many ideas as possible before you can narrow down or select the best.
- **Prototype:** Make a choice of e-commerce platform upon which you start building your website. Customize the design and layout to accommodate your brand name. Integrate payment methods and set up shipping options

- **Test:** Launch your online store and gather feedback from real users. Monitor analytics on your website and other sources of feedback. Iterate the site and other aspects as the feedback may require.

Topic Review

This topic looked at:

What e-commerce is and how it differs with traditional brick and mortar business

Benefits that e-commerce accord to an entrepreneur

Evolution, trends, and challenge of e-commerce

Different models of e-commerce

Setting up an online shop

Next topic we will look at Financial requirements for entrepreneurship

References

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