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New Trends in E-Commerce

E-Commerce is growing and gaining more clout with every passing year. The numbers are too big to ignore anymore. E-Commerce sales were estimated at $108.7 billion for 2006, an increase of 23.5% from 2005, and e-commerce sales accounted for 2.8% of total sales, up from 2.4% in 2005[1]. There are successes in this field, but there are many more failures. Companies are slow to incorporate e-commerce into their businesses because they think it is too difficult or expensive. Organizations that have succeeded in this field have kept themselves up-to-date, staying on top of the newest technologies and trends. Some of the newest trends in e-commerce that will be discussed here are how they are managed, hardware/software changes, advertising trends, disaggregation, and using certain companies like EBay or Yahoo! to start sites. Most companies that are thriving in e-commerce have incorporated at least one of these trends into their organization.

If a company is not using EC in its most cost-effective way, it is missing out on many financial opportunities. One way to manage EC is as an on-demand service so it will not be paying for service that it does not use. On-demand services are more flexible and manage profiles, promotions, and customer relationships more cost-effectively. Another thing to remember is to select a vendor that offers a fixed-price fee model rather

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[1] *Quarterly Retail E-Commerce Sales: 4th Quarter 2006,* U.S. Census Bureau, Scheleur, King, and Shimburg, 2007.

than a variable price model based on a share of overall transaction value, which will not bring the most ROI[2].

One hardware/software trend deals with the sending of information. How information is sent over networks and the Internet is constantly changing. Email, Electronic Data Interchange (EDI), html and other various mediums have been and currently are in use. New languages are now being implemented and are changing the way information is sent. XML (Extensible Markup Language) is one of these new languages. According to Allen Silveri, XML will "Provide increased functionality with full multimedia capabilities, including audio and video…"[3] which will bring full, rich documents to the Internet. Discussed in more detail below, multimedia attracts more customers, which means more products being sold. Customers on the Internet are fickle and bore easily. If an e-commerce site looks bare-bones and shoddy, then they probably will not buy from that vendor.

Another hardware/software trend is the use of mashups, or application composites. Mashups are websites or applications that bring information from more than one source together and display it in an easy format. "The Internet was originally designed to be mashed up," says Aaron Broodman[4], but organizations are again slow to change because "it's a tough game to take legacy systems and stitch them together… and

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[2] 'Trendspotting: What's up, what's down in IT?' *Optimize,* August 2005, Issue 22, http://www.optimizemag.com/article/showArticle.jhtml?articleId=166402927, viewed on 25 February 2007.
[3] Silveri, Allen, 'From Steel to Semi-conductors: Are new trends in e-commerce changing your B2B marketing approach?', Schubert Communications, 1999, http://www.schubert.com/Press_Room/PublishedArticles/published_articles/steel_semi_ecommerce.html, viewed 25 February 2007.
[4] Hof, Robert D, 'Mix, Match, and Mutate', Businessweek Online, 25 July 2006, http://www.businessweek.com/@@76IH*ocQ34AvyQMA/magazine/content/05_30/b3944108_mz063.htm viewed on 25 February 2007.

in the world of the Internet, time moves pretty quickly."[5] One example of a mash-up is E-Trade. They used to be just a online stock trading company. Now they offer many services including online trading, online banking, online cash services, online risk services, online mortgages, and online home equity lines. CIO of E-Trade Greg Framke was asked "What is the biggest benefit to deploying composite applications?" and answered, "It's cost savings, it's time to market."[6] "Mashups are still in their respective infancy and many businesses do not know how to deal with them. According to Hof, "mash-up business models don't extend beyond running a few Google ads and collecting fees for sending buyers to e-commerce sites."[7] Most companies do not allow their data to be used by another business for profit, but as mashups continue to grow this will probably change, or they will create their own mashups.

If an organization wanted to use e-commerce with their business, they traditionally have had two options: hiring people to write the code for them which takes time and money; or buy an off-the-shelf system, which takes less time but still a has a hefty price tag. Now organizations can take advantage of open-source applications that are free to use. There are many benefits of using an open source application. Along with being free, these solutions are respectively easy to setup and use, depending on your experience with computers. Since they are free, many people use them and it is easy to get answers to questions using forums[8]. Once the company has a working design, it is

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[5] 'E*Trade is Banking on Web Services', Businessweek Online, 13 November 2006 http://www.businessweek.com/technology/content/nov2006/tc20061113_151490.htm?chan=search, viewed on 25 February 2007.

[6] 'E*Trade is Banking on Web Services'
[7] Hof.
[8] Torrey, Gene, 'The Future of eCommerce store development!', Self SEO, 30 August 2006, http://www.selfseo.com/story-18500.php, viewed on 25 February 2007.

easy to change the look of the online store. Gene Torrey writes, "…large companies will always need a custom built solution for their online stores, the average small business no longer needs to spend five or ten thousand dollars to have a quality store developed."[9]

Staying on the hardware/software trends, Rich Internet Applications (RIA) are on the rise. Websites that exhibit full, graphics-based stores are more likely to attract customers. Websites that offer RIAs, like any major auto manufacturer, draw more clientele because of what they can do on their website, like design their own car. Also, consumers are more reluctant to buy something if they cannot see detailed images of the specific product.[10] Having good pictures of the products does not sound like it will attract more customers or sell more products, but if the customers cannot see it, they will not buy it. Furthermore, more and more e-commerce sites are popping up and businesses have to be creative to attract the customers. In a world where shoppers can increasingly get the same product from ever more etailers, innovation will also target search engine integration and optimizing consumers' browsing & product selection experiences to attract a bigger audience.[11]

Advertising is critical to Internet success. Just like any other medium, an etailer can have the best products at the best prices, but if no one knows that it exists, then it is doomed. There are many ways to advertise on the Internet. The most popular are banners, but that could change at any time. One advertising method that is becoming more popular is putting ads on portal sites like Yahoo. Portal sites are websites that people use as a one-

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[9] Torrey.

[10] Zhu, Jean, 'New trend and strategies of ecommerce in 2004', Merchant Solutions, 2004, http://www.allmerchants.com/Articles.Ecommerce-Strategy.New-trend-and-strategies-of-ecommerce-in-2004.id.33385.htm, viewed on 25 February 2007.

[11] Simeonov, Simeon, 'E-Commerce 2.0 – The Velvet Revolution', Web 2.0 Journal, 21 September 2006, http://www.web2journal.com/read/274952.htm, viewed on 25 February 2007.

stop shop kind of site. They can get news, email, shopping, and many others at this one site. The problem is that ads on these sites are costly. Zhu writes, "Although medium and small sized ecommerce sites cannot pay that many bucks, the aggregation with portals is causing more attention and rising of new sites that make profit only by being portals and introducing referral is seen."[12] There are two new ways to advertise on these portals, pay-per-click and organic SEO (Search Engine Optimization). When someone goes to a search engine or portal and they search for something, ads can be tailored to what the user has searched for. This is called organic SEO. Balestrino writes, "Organic listings are more popular because they are more relevant. PPC (pay-per-click) ads are paid advertisements and may or may not be what you are looking for."[13]

Another way to advertise on the Internet is through email. This is probably the most annoying method on the Internet today. Many email providers include spam blockers, but thanks to some ingenious people, some spam is getting through to the consumers. The change that is occurring in email advertising is the actual content of the emails. The trend is to send out emails with more personalized and dynamic content. The only problem with this method is that the solicitors need the personalized information and it takes time to get it. With the personalized information, the solicitors can send out emails that will impress customers about your organization and make you different, receive more feedback so as to achieve acquisitioning marketing in up-to-date style, and bring repeating consuming actions to increase business revenue.[14]

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[12] Zhu.

[13] Balestrino, Joe, 'Pay Per Click and Organic SEO…and The Winner is?', www.1888Articles.com, 2007, http://www.1888articles.com/pay-per-click-vs-organic-seo...and-the-winner-is-041fx6j21n.html, viewed on 25 February 2007.

[14] Zhu.

The new trend that etailers are still trying to figure out is social networking. Websites like MySpace have blown up in recent years, creating an advertising market that no one has taken advantage of. In the meantime, some etailers have adopted the "MySpace" style and added customer reviews to their e-commerce site. Customers can submit ratings and reviews of products that they have bought and use (or don't use). Etailers are sketchy about this because they don't want any negative reviews about them to be on their site. Gogoi writes that "…a senior retail analyst at Forrester Research found that 80% of all customer reviews on e-commerce sites are positive."[15] Another reason etailers are slow to use customer reviews is that they do not want to hire more people to manage the reviews. An answer to that is rating sites like PowerReviews which are basically plug and play. One big reason etailers are using customer reviews on their sites is that customers are more willing to buy products that someone has tested and given a good review to. Gogoi also writes that "…customers that clicked on the highest customer-rated products were 49% more likely to buy something. And they spend 63% more than shoppers who clicked on options like "top-sellers" or "lowest-priced"."[16] Some click-and-mortar organizations are even using their customer reviews in the physical stores.

Another trend in e-commerce is disaggregation. For example Simeonov writes, "E-commerce 1.0 has aggregators such as NexTag and Epinions. E-commerce 2.0 has BazaarVoice and PowerReviews, which bring rating and review capabilities to all sites. Payment is another good example. E-commerce 1.0 has PayPal while Google Checkout

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[15] Gogoi, Pallavi, 'Retailers Take a Tip From MySpace', Businessweek Online, 13 February 2007, http://www.businessweek.com/bwdaily/dnflash/content/feb2007/db20070213_626293.htm?chan=search, 25 February 2007.
[16] Gogoi.

belongs in 2.0."[17] The disaggregation of these kinds of markets will have a big impact on the Internet and the businesses on it. It can go to the extreme and only one site in each market will survive.

Another emerging trend in e-commerce is the use of sites like EBay and Yahoo Small Business. These businesses offer cheap ways for small businesses to have an online presence. Tedechi writes, "Of the $26 billion in sales that are projected for Internet retailers this holiday season (2005), about 45% will go to small retailers, according to Forrester Research, up from 42% last year (2004)."[18] As stated before, it has been easy to put up an online store but the hard thing is getting people to it. Businesses like Yahoo, EBay, and Amazon fixed that problem by offering cheap storefronts and adding them to their search engines. Tedechi also writes that Liz Herbert, a Forrester analyst, said, "the biggest change in e-commerce software in the last few years was that it no longer comes in a box. It is delivered online, so businesses do not need technology specialists to install and run the company's system."[19] EBay offers what are called storefronts, where people can list their items that they are selling. Yahoo Small Business is doing a little more, offering more elaborate site templates and options. The main factor here is customer service. Some businesses that offer e-commerce templates and packages do not have customer service, which in the computer business is "…one market where such service is critical…"[20] More than just e-commerce is being offered through these companies now.

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[17] Simeonov.

[18] Tedechi, Bob, 'Small Internet Retailers Are Using Web Tools to Level the Selling Field', The New York Times, 19 December 2005, http://www.nytimes.com/2005/12/19/technology/19ecom.html?ex=1172638800&en=46a75c37a4d41cb9&ei=5070, viewed on 25 February 2007.

[19] Tedechi.

[20] Tedechi.

Software bundles that allow companies to manage their payroll, shipping, inventory, and everything else over the Internet are now becoming available.

E-commerce is definitely a force to be reckoned with, and it is hard to do so because of its ever-changing composition. Some say that e-commerce will never break the 50% of all sales mark, others say it will break that mark in the next few years. The e-commerce environment can be an ugly one. There is always going to be someone or something newer and better out there. If etailers manage their businesses correctly, staying away from variable priced systems, they will be cost-effective. If etailers stay current on the hardware/software front, they will keep their competitive edge and attract more customers. If etailers advertise wisely they should be in the clear, assuming they have all the other retailing parameters met. Etailers that can meet all of these guidelines will be more successful than ones that disregard changes. If the Internet is good at one thing, it is good at passing people by.

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