



INTERNATIONAL
ECONOMIC DEVELOPMENT
COUNCIL

E-COMMERCE REPORT

Creating and growing an online presence

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Introduction

Economic developers serve as a bridge between businesses and the resources they need to find success, especially in changing markets and turbulent times. In many cases, this role is one of providing information to local businesses on useful tools to build or grow their endeavors. In this report, the usefulness of e-commerce to businesses owners and a community's economy is outlined through the description of various resources available. By sharing this information with business owners in their community, economic developers can stimulate economic growth and increased e-commerce exchanges among local businesses and consumers.

What is E-Commerce?

According to e-commerce statistics for 2020, 95 percent of retail sales are expected to be made via the internet by 2040. E-commerce, or transactions conducted over the internet, has rapidly gained popularity since the first online purchase in 1994. With the advent of e-commerce in 1994, consumers began to shift their buying experience from brick and mortar businesses to online shopping; now the majority of all retail sales are now conducted online. To survive, businesses must adapt to this shift.

E-Commerce and Online Consumerism During Covid-19

As storefronts faced shutdowns amid COVID-19, people across the country turned to e-commerce to fulfill their needs. Small businesses that were already struggling with closures were then forced to compete with seasoned e-commerce giants such as Amazon, a company that facilitated 44 percent of all US e-commerce sales in 2017.

According to a study conducted by [Visual Objects](#), 40 percent of small businesses did not have a website in 2019, and 28 percent said they likely wouldn't create one in the future. Businesses that rely on traditional marketing techniques are at a disadvantage. Mobile e-commerce sales are driven by Google searches and social media marketing, and without an online presence, consumers are less likely to purchase from local sources or engage with small businesses. E-commerce and online retail sales can combat the impacts on the local economy of declining revenues or closings of brick and mortar stores in the face of disasters such as COVID-19, as well as boost sales during a stable economy.

Not only are business-to-consumer e-commerce sales soaring, but retail in every sector is more reliant on internet transactions. Business-to-business e-commerce is expected to outperform consumer retail sales by the end of 2020, as stated in a market-share analysis by [Finances Online](#). Grocery e-commerce has seen an uptick since the beginning of the pandemic as well. However, economic fears among young consumers, particularly Millennials and Gen-Z, result in consumers spending less on non-essential retail and experiences, which will likely continue once storefronts fully reopen.

E-commerce and Economic Development

The loss of small business in a community has a snowball effect on the regional economy, as small businesses account for half of private sector employment and 64 percent of new jobs created in the US, according to the [Small Business Administration](#). E-commerce can either uplift or crush small businesses within a community, and economic developers must evaluate the resources available to assist these firms in connecting with online consumers.

Section I: E-Commerce Platforms from Small to Large

The past several decades have seen a major shift in how transactions are completed. While the types of transactions remain the same (i.e. business to business, business to consumer, consumer to business, etc.), the platforms where these transactions take place now rely heavily on e-commerce. From simple marketplaces to personalized website builders, there are many types of e-commerce platforms for different kinds of exchanges. Outlined below are basic, intermediate, and advanced types of e-commerce platforms that any business can utilize to increase profitability and ensure viability in the digital age.

These platforms can be utilized by different business types and integrated between one another in order to direct consumer traffic and increase profitability. For example, basic social media platforms can link to an intermediate company website, where items can be sold and then shipped. This section will outline these platforms and provide suggestions regarding which of them businesses should utilize.

Basic

The continued increase in traffic to social media sites has led to their expansion into e-commerce marketplaces. Facebook and Instagram both now have sections on their sites dedicated to marketplaces. Businesses can also market their products through social media ads at relatively low prices. Similarly, Twitter and LinkedIn offer marketing and promotion services. While customers cannot directly purchase products from the latter two, they can be directed via ads and promoted content to an online store or e-commerce marketplace.

Businesses that are interested in using social media sites should be sure to manage their advertising campaigns and sales through the “[Facebook for Business](#)” and “[Instagram for Business](#)” rather than through their own personal accounts. Both Facebook and Instagram have extensive resources for small business owners including videos, tutorials, and trend reports. Additionally, these platforms are fully integrated, as Facebook is the parent company of Instagram, so efforts can go twice as far.

Less useful for businesses, and more targeted toward the casual seller is a class of e-commerce that allows individuals to share and sell their products through a “garage-sale” style platform. One of these platforms, Craigslist, serves as an intermediary between a consumer and a seller of goods or services. While these platforms are primarily utilized by individual sellers, small businesses can easily display their items in order to sell to the public. Other “garage-sale” style marketplaces are Poshmark, Kidizen, and Tradesy, which allow users to sell new or used clothing. While these platforms are primarily utilized by individual sellers, they do host many small consignment businesses.

E-commerce platforms like social media sites and marketplaces should primarily be utilized by smaller scale businesses or individual sellers that hope to build or maintain relationships with consumers.

Intermediate

For niche businesses looking to launch an online presence, these platforms provide a home on the internet. Those transitioning their brick and mortar stores to intermediate e-commerce platforms will find assistance in secure payments, marketing, shipping, and other business needs built into the intermediate e-commerce platforms. While basic platforms are used to sell on a smaller scale, intermediate platforms are typically utilized by established businesses hoping to consistently sell products or services. These businesses can utilize aspects of basic e-commerce, like a social media presence, to increase profitability on intermediate channels.

Etsy is an intermediate marketplace where small businesses, primarily owned and operated by individuals, can sell their products. It is focused on handmade or vintage gifts or crafts and allows people to set up web pages to display and sell their products. Etsy collects a 5% transaction fee and a 3% processing fee when an item is sold. This platform provides sellers with an opportunity to market, sell, and distribute their products internationally.

Shopify is another intermediate e-commerce platform that serves as a host for countless online stores and point-of-sale pages. For a monthly price, business owners can operate personalized international online stores. Shopify’s e-commerce software not only assists businesses in selling their products, it also provides marketing and management services. Freelance professionals can be contracted through the site to design marketing strategies, and a management dashboard enables business owners to track orders, shipping, and payments. This makes it a useful tool for business owners looking to start and expand their operations.

States have implemented programs to spur e-commerce among the pandemic through partnerships with intermediate e-commerce platforms. In Louisiana and Kentucky, governors partnered with Shopify to give small businesses free trials to their webpage building services. In Louisiana, LASmallBizOnline gives vendors access to this trial. They also have access to tools, tutorials, and live webinars to aid as they create websites, bring more consumers to their sites, manage inventory, and fulfill orders. Access to e-commerce is vital as the holiday season

approaches, as Shopify president Harley Finkelstein has estimated that online retail sales during the Thanksgiving long weekend will top \$23 billion.

E-commerce platforms like Redbubble are often used by designers and artists to sell their work in a variety of mediums. Artists can upload their designs, and Redbubble will print and distribute apparel, framed prints, canvases, and coffee mugs based on a customer order. When an artist's design is chosen by a customer, the artist will receive the markup price that the domain sets for the specific item. Redbubble and similar sites typically pay designers 20 percent of the total cost of production and distribution. Sites such as Redbubble act as a third party that handles production and shipping, enlisting the dropshipping business model.

Terms to know:

Dropshipping

According to Shopify, dropshipping is a business model that allows entrepreneurs and businesses to sell and ship an item without having to physically stock the item. This is a lower-risk strategy that businesses use when testing a new item, as the product is created and shipped from a third party and a large production cost is not incurred.

Advanced

Both starting in 1995, eBay and Amazon are now two of the giants of e-commerce. eBay began as an auction-based site, but has since transitioned to an online marketplace selling a diverse collection of products. The steps to become a seller on eBay are more in-depth than that of the basic marketplaces like Facebook and Craigslist. eBay offers a variety of different store levels, such as starter, basic, premium, anchor, and enterprise. These memberships have different costs and fit different business needs. Depending on the number of listings a business owner intends to post every month, he or she should weigh the available levels and choose one that would bring maximum profitability.

Amazon is the most famous and widely used e-commerce platform in the United States. While they have expanded into other functionalities, like video and music streaming, the marketplace is still the core of the business. Amazon charges 99 cents for each item sold, or a seller can pay a monthly fee of \$39. For each sale made through the Amazon platform, a referral fee is charged. While this may reduce some profits for businesses looking to sell online, the advantage of advertising and distributing products through the most advanced e-commerce platform in the world can assist business growth and lead to increased success.

Additionally, large retailers like Walmart are possible options for businesses to sell their products online. These stores are increasingly moving towards an e-commerce business model and with an already established brand and customer base, selling through a major retailer could benefit a company looking to diversify their market.

Website Builders

Aside from the sites that are already established and give sellers a place to put their products on display, website platforms can be used to build company-specific sites that host online stores. These sites have many different functions and resources for marketing and search engine optimization. Site builders include popular platforms such as Squarespace and Wix, where the seller can choose from a variety of professional designs before personalizing their online store. While these website builders are widely used and well known, each business has unique needs when building their online presence. A comparison of the ten most popular e-commerce website builders can be found [here](#).

Section 2: Banking and Online Payments

Internet-enabled banking and online transactional platforms are essential to e-commerce, and understanding what services are available is the first step to successfully expanding online. This section outlines the process of establishing safe online transactions and provides information on types of e-commerce transaction processing platforms that businesses from small to large utilize.

What to Look for in your Internet Payment System

As the use of e-commerce tools expands, concern regarding the risk of insecure payments has also grown. To ease worry and ensure security, banks and online payment systems continue to develop risk and fraud management technology. When considering launching e-commerce, small businesses should research their options, consult with their banks, and employ legal assistance where necessary to protect their interests. Below are a few core safety measures that should be incorporated into any payment system.

1. Use two-factor authentication: two-factor authentication adds an extra layer of security to online transactions. This means that having an account password alone is not enough; additional verification is needed before an online purchase can be completed. For example, a user might receive a code via call or text message that he or she must input before completing a transaction.
2. Use third parties for storing sensitive information: Storing credit and debit data that consumers use to purchase goods or services can be a liability for a business, as they become responsible for encrypting and protecting that data. By utilizing a third party to

store this sensitive information, it reduces liability for the business and can save money by preventing holdings and chargebacks from a processing bank.

3. Choose a secure e-commerce platform: E-commerce platforms and website builders often come with added security and benefits, especially those which protect online payments. By using an e-commerce platform like Shopify or Square, a business is utilizing a platform that was designed to facilitate and protect transactions.

How to Select a Processing Bank

To support rising demands for e-commerce, many banks not only provide traditional services via the internet, but have also expanded into newly developed e-commerce services. These include internet portals, or 'supersites', which connect sellers and consumers, verifying identities to protect e-commerce participants from fraud by using encryption technology, as well as offering electronic billing to enhance cash management and remittance payment processing. Moreover, banks assist small businesses by offering business-to-business online purchasing, or electronic procurement, services such as negotiating volume discounts for vendors.

Since many banks offer different services for e-commerce, here are some technologies to watch out for.

Terms to know:

Data Encryption

Encryption is the process of protecting consumer information by coding it. Only authorized parties can access encrypted data by deciphering the code used to hide the original information. Businesses should encrypt consumer data to reduce liability and instill confidence in their site's e-commerce transitions.

Address Verification Service (AVS)

AVS is a consumer protection system that verifies a buyer's address when completing an online transaction. When entering an address as part of an online checkout, AVS verifies that it is associated with the customer's credit or debit account. This is another form of two-factor identification and can protect both businesses and consumers.

Card Security Codes

Card security codes are an additional fraud prevention measure. Credit and debit cards come with a unique, three-digit verification code. Requiring these codes when completing an online transaction is an additional safe-guard when preventing fraudulent transactions.

Electronic Commerce Indicator (ECI)

The ECI is a code sent from major processing banks such as Visa, Mastercard, and American Express to a store owner in order to verify or indicate the authenticity of a card used for an online payment. These codes are sent to indicate whether or not the transaction itself was successful.

Chargebacks

Chargebacks refer to forced transaction reversals by a cardholder's bank meant to protect a consumer in the event of a fraudulent transaction. Chargebacks can hurt businesses, as money from a sale is withheld by the processing bank and not given to the merchant. Businesses should utilize the aforementioned fraud prevention techniques to prevent chargebacks

Alternative Online Payment Platforms

Alternative options for online transactions include online money transfer services which facilitate an easy transfer of funds between individuals. This can be an especially effective solution for small business owners who are just beginning to expand into e-commerce. Platforms range from mobile payment apps, such as Venmo or Cashapp, to sophisticated online payment systems such as Paypal and Square. Mobile payment apps are often used for person-to-person and consumer-to-business transactions. These transactions are especially useful when selling individual services. Venmo and Cashapp are often used by individuals who consider themselves

as social spenders, and they allow a user to connect with and exchange money with friends while posting transactions on a social-media-like timeline.

Paypal is utilized by individuals and businesses alike to facilitate online transactions. Because Paypal supports merchant accounts and can be synced to online websites, it is used and trusted internationally. It offers individuals with an added sense of security when conducting transactions online, as a free account with the site offers security services one might typically find at a large bank. Businesses of all sizes can accept payments easily using the Paypal app or website widget in exchange for goods or services. Individuals can exchange funds between one another, similar to Venmo and Cashapp, but large online businesses also use it to easily authenticate and accept payments.

Another platform, [Square](#), offers electronic invoices and assistance in e-commerce, and also provides a free magstripe reader which allows business owners to swipe credit cards in person. Not only does Square assist in building an online website through their site builder, it also allows a business to begin making online sales immediately. Businesses can easily sell online and ship orders to customers, offer curbside pickup, or local delivery; the site is useful for online transactions for any business type. When a sale is made through Square, the company takes 2.9% and 30 cents per transaction. Businesses looking to utilize Square for online sales should ensure that the fees and services associated with each alternative online payment platform support their long-term financial goals.

Section 3: Digital Marketing

An online presence can provide opportunities to grow a business beyond online transactions. By using social media and digital marketing platforms, businesses from small to large can target specific audiences and attract their business, both online and in-person. If a business does not have a social media presence, the first step is to simply sign up. Social media sites are free, and they are the best way to cheaply and easily reach customers. Once a business's social media presence is established, use this guide to create and monitor digital marketing campaigns and aid in e-commerce activities.

Communities can also promote their businesses collectively through marketing efforts. For example, [SOUL Street](#), traditionally a farmer's market in Frederick, MD, pivoted to market small businesses with black owners during the COVID-19 pandemic. By using their power as a collective seeking to empower the black business community, SOUL Street partnered to host a virtual Black Friday event. Bringing vendors to an e-commerce platform will aid in their sales over the holiday system and help them establish an online presence for the first time. Without the collective power of SOUL Street's marketing campaign and e-commerce efforts, these businesses would not have the same level of exposure. This section will outline other methods of online marketing that businesses, communities, or collective groups can use to advertise vendors or products.

Monitoring Digital Marketing Efforts

Google Analytics is a web service offered by Google that tracks and reports website traffic. The service reports the number of visitors to a site, where they live, which marketing tactics drive the most traffic to a website, and more. Google Analytics is compatible with many different e-commerce platforms and website builders.

Once connected, Google Analytics asks users to set “goals” for their website and business. These goals are frequently achievable indicators that trigger a website to react in a certain way. For example, if a chosen goal was a completed purchase, Google Analytics could trigger an automated thank you message after the goal is achieved. This makes it useful as a business tracking and marketing tool. By setting goals, Google Analytics will know when something important has happened on the monitored website.

By creating a [Google Analytics account](#), users have access to training courses and tutorials to optimize the tool. There is a course for learners at every level, including beginners, and specific courses for those focusing on e-commerce marketing. These courses show how to ensure online advertisements reach the exact audience they are intended for, and how to increase click throughs to websites.

Making the Most of Social Media Marketing Efforts

Social media has seen the same dramatic rise as e-commerce in the 21st century, and business owners can utilize it to promote and monitor their business. As mentioned in Section One, marketplaces on Facebook allow sellers to connect with the public. However, targeted ads on social media sites can link directly to an online store. Because these ads reach specific audiences that are likely to buy or use the marketed product or service, they are effective ways to market and build a business.

Facebook offers a digital marketing course called Facebook Blueprint which focuses on mastering the social media site as a digital marketing platform and covers everything from basic foundation skills for Facebook and Instagram to best practices, ad tracking, ad purchasing and more. The courses prepare a business to go online, establish an online presence, and attract an audience. Business owners can take advantage of courses spanning hundreds of categories pertaining to unique marketing and e-commerce needs.

Marketing software like Hubspot and Hootsuite have free and advanced tools to help businesses market, track, and grow across platforms. Hubspot is a software platform and online community that provides users with various marketing products and plans for a monthly fee. Businesses can take advantage of customer support and service teams to ensure a customer gets the most out of the marketing tools provided. Like Facebook Blueprint, Hubspot also offers training programs and education resources that aid business owners in their marketing efforts.

[Hootsuite](#) is another marketing software that specializes in social media marketing. This program allows business owners to unite all social campaigns on one platform. The software schedules different marketing campaigns and publishes content to the targeted channels at the most effective times. Business owners can then track the effectiveness of these campaigns through the Hootsuite software.

Economic development organizations often provide technical assistance to businesses looking to expand or market their business, and several local governments and universities do as well. One example is the Tennessee State Government's 2020 Marketing Assistance Program which supports economic development efforts for six Tennessee communities by providing each location with promotional videos, custom websites, custom photography, and more. Such programs can provide communities or businesses with skills and resources that are essential in the digital age. Furthermore, by connecting with a local economic development organization or Small Businesses Development Center (SBDC), a business owner can learn more about local resources that support e-commerce.

Section 4: Conclusion

As e-commerce overtakes traditional brick and mortar stores, it is important for business owners and economic developers alike to familiarize themselves with and utilize e-commerce best practices. The types of e-commerce platforms, banking systems, and safety measures outlined in this report should provide businesses with the fundamental knowledge and resources to develop a successful online presence.

Communities can work together to improve e-commerce capabilities among their small businesses. By collectively marketing and supporting small vendors online, these businesses will see an increase in sales and become comfortable with e-commerce. For example, in April of 2020, Pueblo, Colorado launched [Supporting Pueblo](#), a website that markets and sells items and services from local vendors. The initiative was formed through a partnership between local government, the Latino Chamber of Commerce, and local businesses in order to promote commerce while social distancing and stay at home orders were in place. Shoppers can add products from vendors all over the community to their virtual cart from the website's marketplace. These businesses offer curbside pickup, shipping, and delivery options. These efforts implemented the e-commerce best practices outlined in this report to build the online presence of Pueblo's small businesses during and beyond the pandemic.