

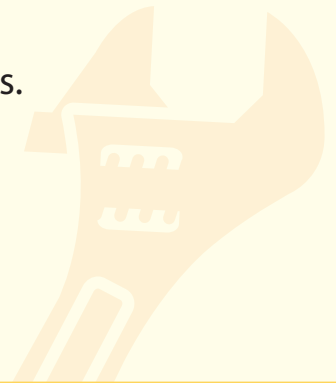
# Chapter 10

## Online Shopping: E-Commerce Unveiled



### Overview

Once, “going shopping” meant actually traveling to a store to purchase goods. In today’s world, though, online shopping is becoming increasingly popular. In this chapter, you will learn about the different types of e-commerce sites, including company storefronts, individual e-stores, and online marketplaces. Included is a discussion about the potential dangers of online shopping, the steps to take if you run into trouble while shopping online, and several methods of assessing the credibility of e-commerce sites.



### Key Terms

- E-commerce
- M-commerce
- Brick-and-mortar
- Traditional commerce
- Storefronts
- Click-and-mortar
- E-store
- Online marketplace
- Auction site
- Third-party Web store
- Classified site
- Electronic shopping cart
- Fair Credit Billing Act
- Electronic payment services
- PayPal

## Fact!



### Did You Know?

In 2014, eBay had 128 million active users globally, and 500 million items were listed on the site.

Source: eBay

## E-Commerce

Where do you go when you want to buy something? Do you go to a local shop or a department store? Do you order through a catalog? There are many places to make purchases, but the growing trend today is **e-commerce** (electronic commerce), which is the buying and selling of goods over the Internet. If you use your mobile device to buy something over the Internet, it is known as **m-commerce** (mobile commerce).

Believe it or not, there once was a time when, if you needed to buy something, you had to walk or drive to a store. Store buildings that exist in the real world are called **brick-and-mortar** stores. Today, shopping at brick-and-mortar stores is considered **traditional commerce**. But times have changed (and are still changing) with the onset of technology that makes buying products and services over the Internet efficient, convenient, and sometimes even less expensive.

## Traditional Commerce and E-Commerce Merge

Some traditional brick-and-mortar businesses have started selling products online, as well as in their stores, as it can often cost a business less money to operate an online store versus maintaining a physical storefront. Even large department stores, grocery stores, and specialty shops all use e-commerce to expand their global connection to customers.

If you think about it, traditional stores are limited to their physical location; customers that are in the area will make purchases. But with an online store, anyone can make a purchase, whether he or she lives next door or half a world away. A company with brick-and-mortar stores that also sells products online is tapping into a new business model that enables businesses to reach both local and global customers. The power of e-commerce is that it makes it easy for businesses to connect with customers, expand business operations on a global scale, and increase their productivity of buying, selling, and trading goods.

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This shopper goes to Friendly Mart's **brick-and-mortar** location to buy his groceries.

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## Why Shop Online?

It's clear that businesses enjoy large gains from e-commerce, but what about you, the customer? What benefits do consumers get from shopping online? For starters, the Internet is a big, big place with millions of products available. If you can't find something in a store, odds are you will be able to find it online.

**Some of the most common reasons people prefer to make their purchases online are listed below:**

- **Inventory**

The Internet makes it possible to find nearly anything. Whether you're looking for a rare comic book or an album that was just released, e-commerce takes inventory to a whole new level.

- **Collections**

If you're looking for something specific to add to a collection, the Internet can connect you with other collectors. It may not always be possible to find items for a collection in person (at least not without a lot of travel), so the Internet helps collectors find what they're looking for, even if it's on another continent!

- **Convenience**

The Internet makes it possible to purchase anything, anywhere, anytime. You don't even have to leave the house; you can shop in your pajamas if you want to. If you're shopping at a brick-and-mortar store, you have to make your purchases during the store's business hours, and your school or work schedule may prevent you from shopping at the store when it is open.

- **Comparison Shopping**

Being able to easily compare the prices of multiple vendors is one important perk of Internet shopping. In just a matter of minutes, you can compare prices for the same product across multiple stores and see where the best deal is before making a purchase.

- **Business Opportunities**

E-commerce provides a venue to easily buy, sell, and trade items, creating entrepreneurial opportunities for those interested in starting or growing a business. Many small business owners—those whose only employee is themselves—are able to run their own businesses solely because of online shopping. For instance, many people who make crafts sell their work on sites such as Etsy.com.



He also likes the convenience of ordering groceries from Friendly Mart's **click-and-mortar** storefront.



## Where to Buy

You know that there are millions of e-commerce sites on the Web, but from which ones do you want to make online purchases? **As shown below, there are three general categories of sites from which you can buy:**

### 1 Company Storefronts

Many large companies that have brick-and-mortar stores (actual, physical buildings) nationwide also host websites (or **storefronts**) that sell items found in their stores. Sometimes, these sites offer additional inventory that isn't available in the brick-and-mortar stores. Department stores, sporting goods stores, jewelry stores, and many other businesses sell their merchandise to online shoppers through storefronts. Businesses that have both brick-and-mortar stores and online storefronts are known as **click-and-mortar** companies.

### 2 Individuals' E-stores

Many online purchases occur through sales to and from individuals. Typically, individuals use e-stores or online marketplaces (see #3 on the next page) to reach customers. The term **e-store** can refer to any e-commerce site, even those of large national retailers. However, many e-stores are small and are run by entrepreneurs who have used sites such as Shopify.com or BigCommerce.com to help set up their online stores.

### Company storefronts

have both brick-and-mortar stores and e-commerce sites.



Many **e-stores** are small and run by just one person.





### 3 Online Marketplaces

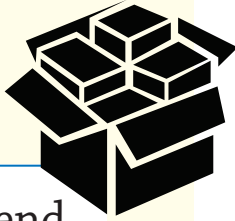
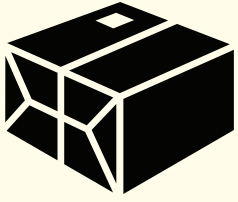
An **online marketplace** is an e-commerce site where many different retailers sell goods. In two of the three main types of online marketplaces, the transactions are processed by the company that runs the site, which keeps a portion of each transaction. **The three main types of online marketplaces are listed below:**

- An **auction site** is an e-commerce site where people or businesses who are selling things post them for buyers to consider. Buyers make bids on the items, and the highest bidder wins the right to purchase the item. One of the world's largest auction sites is eBay, which has expanded to include standard (non-bidding) shopping (an option called "Buy It Now"). A variation on the auction site is the "name your own price" auction site, where buyers post what they are willing to pay and see what the seller is willing to offer for that price. The travel site Priceline.com was the first to offer the "name your own price" model.
- A **third-party Web store** is an e-commerce site where people or businesses display goods at a fixed price. There is no bidding on these sites; the items sell for the posted prices. One of the world's largest third-party Web stores is Amazon.com. The craft site Etsy.com is also a third-party Web store.
- A **classified site** is a website where (among other classified ads) people or businesses post items that they want to sell. Buyers contact the sellers to negotiate prices. The people or companies who run classified sites generally do not collect a portion of the transactions, because the sites do not process the transactions.

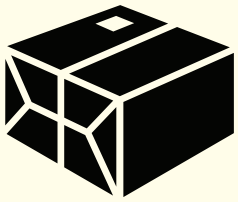
An **online marketplace** allows many different retailers from all over the world to sell goods through that one e-commerce site.







You might end up with the item you saw advertised . . .



or you might end up with something you were not expecting.

## Potential Dangers of Online Shopping

Although the World Wide Web opens up a global marketplace, we have to be careful about which e-commerce sites we patronize. The bigger the world, the more chances there are for potentially risky activities. **There are a few caveats that you should be aware of before making online purchases:**

- **Uncertainty**

What you see is not always what you get when shopping online. You can't physically see and touch the product, so you might not know what you're really getting until you've already bought it. Check the site's return policy before you buy.

- **Dishonesty**

People don't always tell the whole truth when selling or buying something online, so you might end up with an item that is not as it was advertised, or (if you're selling something) you might end up with a buyer who doesn't pay. On some sites (such as eBay and Amazon) you can learn about a seller's character from the comments and ratings that other buyers have given him or her. These will help you decide whether you want to trust a seller by buying something from him or her. (Conversely, sellers can also give buyers ratings and comments, so make sure you hold up your end of the deal as well.) See **Figure 10.1** for information about protections for buyers and sellers.

- **Unsecured Sites and Identity Theft**

Unsecured sites are not good places to make purchases because they are more susceptible to identity theft. Make sure you buy only from secure sites—ones where your private information (including your credit card information) is encrypted so that it can't be stolen. To see if a website is secure, examine the URL and make sure it begins with *https*. The *s* indicates the site is secure. If the URL begins with just *http* (no *s*), then it is not secure.

### Remember:

**To protect yourself from identity theft, make sure you buy only from secure sites that start with *https*.**





- **Hidden Costs**

Don't forget that most, if not all, online vendors will charge for shipping and handling. You may be able to buy a \$10 video game, but hidden shipping and handling costs could double or triple that price. Always check the fine print before checking out, and make sure you read the return policy.

- **Personal Safety**

Never use a classified site without your parents' or guardians' permission. If you are going to buy something or sell something, tell your parents or guardians and have them accompany you to the meeting place. Always meet a buyer or seller in a busy, public place. Never meet a buyer or seller in a secluded place or at your home, and never go alone. Accept only cash from a buyer; checks or credit cards could be fake or stolen.

Figure 10.1

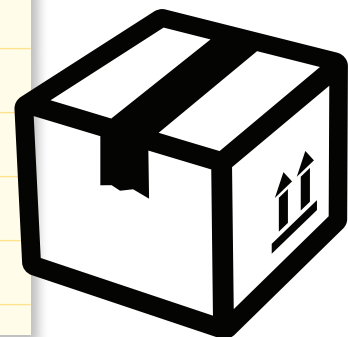
## Protections for Buyers and Sellers

### If you find yourself witness to any irregularities while online shopping, you have several options:

- Report issues to the Better Business Bureau (BBB), which provides credible and reliable business reviews.
- Contact your local police department.

### If you are a seller and have done business with a fraudulent customer, you probably will want to report the problem:

- File a complaint with the site. For example, if you were selling books on Amazon and a customer did not pay for a purchase even though it was received, the problem should be reported to Amazon.
- Report issues to the Federal Trade Commission's Bureau of Consumer Protection.









## Payment Methods

If we can't hand over a \$20 bill at a cash register, how do we pay the people and businesses that we buy from online? Most e-commerce sites include an **electronic shopping cart**, a tool that allows users to select and pay for items using one of the methods listed below:

- **Credit Cards**

Credit cards are one of the safest ways to make online purchases because the **Fair Credit Billing Act** allows you to dispute fraudulent charges. To further protect data, some people keep a separate credit card that they use only for online purchases.

- **Debit Cards**

When you are making online purchases, debit cards can pose more risk than credit cards, because debit cards are directly connected to your bank account. If a hacker is able to get your debit card number, he or she has access to your bank account, which would make it easy to steal additional funds.

- **Checks**

Checks are similar in safety level to debit cards because they are linked to private bank account data. Many e-commerce sites don't accept checks.

- **Electronic Payment**

**Electronic payment services** allow you to receive and make payments through the Internet. The most popular one is **PayPal**, which is known to have strong protections against identity theft.

**Remember:**  
Credit cards are one of the safest ways to make online purchases because the Fair Credit Billing Act allows you to dispute fraudulent charges.



# Chapter 10 Assessment

## What Do You Think?

Write a reflection of three to five paragraphs about online shopping. Your paragraphs should answer the following questions:

- 1 What are the similarities and differences between shopping in a brick-and-mortar store versus shopping in an online store?
- 2 What level of risk do you encounter when shopping online?
- 3 What can you do to safeguard yourself when buying something online?

## Challenge: What Would You Do?

Read the scenario below and write one paragraph explaining what you would do if you were faced with a similar situation.

### Scenario

Aaron is a senior in high school. When he was a sophomore, he decided that he needed to save some money for college. He started selling some of his personal belongings that he no longer used on eBay. Over the years, he has successfully sold a video game console, an old bike, and numerous items of clothing.

His latest goal is to sell a pair of popular tennis shoes that everyone seems to want. He thinks they should be easy to sell. Sure enough, within 10 minutes of posting the shoes on eBay, he has a buyer. He ships the shoes out to the winning bidder and starts thinking about his next sale item. A few days later, he realizes that the buyer never paid for the shoes.

**What would you do if you were in Aaron's situation?**



## Extension Activities



### Activity 1 Short Answer

Use what you have learned in this chapter to write responses to the prompts below.

- 1 Define the terms *e-commerce*, *m-commerce*, and *traditional commerce*.
- 2 Explain three reasons consumers make purchases online.
- 3 List three potential dangers of shopping online.
- 4 Explain the similarities and differences between the three main types of online marketplaces.
- 5 Describe at least two online payment methods.

### Activity 2 True or False?

Using the information from this chapter, determine whether each statement is true or false.

- 1 E-commerce is the selling of goods in a traditional store.
- 2 Individuals and businesses use e-stores and online marketplaces to sell to customers.
- 3 What you see is not always what you get when shopping online.
- 4 A secure website's URL will begin with *http*.
- 5 Debit cards are the safest payment method for online purchases.



## Hands-On

### Risks and Rewards

Below are several stories based on real experiences with online shopping. Determine whether they represent risks or rewards. Think about what could have been done differently to avoid potential trouble and what risks and rewards you might face as an online shopper. Then discuss the situations with your class.

#### Story 1

Travis, a high school freshman, wants to trade a set of baseball cards with another teenager he found on a classified site. They live in different states, so they decide to simultaneously send each other their baseball cards for an even trade. Travis sends his and is excited when he receives his package from the other teenager—but the cards aren't what he expected. Instead, the cards he received are worth far less than the cards he sent.

**Does this story represent a risk, a reward, or both? If you were Travis, would you have done anything differently?**

#### Story 2

Stephanie collects books. She has been searching everywhere for a first edition by her favorite author. She has searched flea markets, garage sales, and local bookstores to no avail. Her friend suggests that she try finding it online, but Stephanie isn't sure where to start and if it's safe to buy online.

**Does this story represent a risk, a reward, or both? What would you do if you were Stephanie?**



## Hands-On



### Shopping Safely

What advice would you give someone who will soon make a purchase online? Put your critical thinking skills to the test and create a tip sheet or a collage illustrating at least 10 safe online shopping tactics.

To create your collage or tip sheet, you may use old magazines or newspapers or a design or word processing program. You also could draw your poster using pencils or markers. See **Figure 10.2** for ideas on how to design your shopping guide.

To help you as you work, think about what is important for consumers to know about e-commerce, such as payment methods and credibility of websites.

Figure 10.2

