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# THE STATE AND PROSPECTS OF THE E-COMMERCE ECONOMY IN THE CONTEXT OF DIGITALIZATION

*The article analyzes the peculiarities of Internet platforms in the context of e-commerce and provides information on the variants of business models used. In addition, emphasis is placed on the performance of leading e-commerce companies, the advantages and disadvantages of this business, as well as identifying the prospects of e-commerce.*

***Keywords:*** *Internet platforms, business models, online revenue*

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# СОСТОЯНИЕ И ПЕРСПЕКТИВЫ ЭКОНОМИКИ ЭЛЕКТРОННОЙ КОММЕРЦИИ В КОНТЕКСТЕ ЦИФРОВИЗАЦИИ

*В статье проведен анализ особенностей работы интернет-платформ в условиях электронной коммерции, представлена информация о вариантах используемых бизнес-моделей. Кроме того, сделан акцент на результативность деятельности компаний-лидеров электронной коммерции, оценены преимущества и недостатки данного бизнеса, а также определены перспективы развития электронной коммерции.*

***Ключевые слова:*** *интернет-платформы, бизнес-модели, онлайн-выручка*

Over the past few years, e-commerce has become an integral part of global retailing. As in many other industries, the buying and selling of goods has changed dramatically with the advent of the Internet, and thanks to the continued digitalization of modern life, consumers around the world are now enjoying the benefits of online transactions. As access to and use of the Internet grows rapidly around the world, there are more than five billion Internet users. Due to the continuous improvement in Internet technology, major e-commerce service providers are striving to provide platform users with a more professional service, thereby minimizing the costs required in the transaction process. Potential buyers and sellers increase the number of potential marketers by reducing the cost of collecting information from potential buyers and sellers. In addition, with the continuous development of e-commerce technology, more and more offline businesses are choosing to transform and are actively embarking on the path of e-commerce development.

Unlike a conventional business, an online store can take many forms in which the economic exchange includes a variety of goods and services. There are three types of goods that are sold online: sales of physical goods (exchanging monetary value for the purchase of tangible physical goods); sales of digital goods (exchanging monetary value for the purchase of intangible goods that exist in digital form); and sales of services (exchanging monetary value for value for customers who want to achieve certain results). The types of e-commerce have been expanding in recent years, with the active use of Internet platforms that allow this business to grow effectively (Table 1).

*Table 1*

**Types of e-commerce, their characteristics and types of Internet platforms**

| Types of E-Commerce | Characteristic | Platforms used |
|---|---|---|
| Business to Consumer (B2C) | The sale takes place between the business and the consumer | 1688.com, Fyndiq, Ozon, Wal-Mart, Target |
| Business to Business (B2B) | Sale by the manufacturer of a product or service to another business | 1688.com, Allproducts, Globalspe, Boeing |
| Direct to Customer (D2C) | The brand sells directly to its final buyer, bypassing the retailer, distributor, or wholesaler | InstaGram, Pinterest, TikTok, Facebook, SnapChat, Kufar.by |
| Consumer to Consumer (C2C) | Sales between consumers | eBay, Etsy, Fivver, Wildberries, Craigslist |
| Consumer for Business (C2B) | An individual sells his services or products to a business organization | Priceline, Zazzle, UpWork |
| Business for Government (B2G) | Sale of goods and services between the business sector as a supplier and a public authority as a buyer | Amazon, Taobao, JD.com, Synergetics Inc. in Ft. Collins, Colorado |
| Consumer to Government (C2G) | Consumers pay for various public services | Government website |
| Government to Business (G2B) | Government agencies supply services for business | Alibaba |

Source: [1].

The most important types of e-commerce are the ones covered above (B2C, B2B, D2C, C2C). E-commerce is to information network technology as a means to exchange goods as the center of business activities. «E-commerce», «electronic» is a technology, is a means, and «business» is the core purpose, all the means are to achieve the purpose and generated. E-commerce is an evolving concept. In addition to the basic classification of e-commerce, specific types of e-commerce are also addressed. In this segment, one should think about how to conduct specific management to achieve maximum profitability. Here the specific models of e-commerce and the characteristics of each will be presented (Table 2).

*Table 2*

**Below are some of the most common types of e-commerce business models**

| Business model | Description | Features |
|---|---|---|
| Retail E-Commerce | Sale of goods or services through the online store directly to the consumer without intermediaries | Online retail, e-retail, e-retail, or e-retail |
| Direct delivery | Selling products that are produced and shipped to consumers through a third party | Seller no inventory or own inventory |
| Digital Products | Selling templates, courses, e-books, software, cloud products or digital assets | A large percentage of e-commerce transactions |

*Ending of the table 2*

| Business model | Description | Features |
|---|---|---|
| White label | The company sells goods under its own brand, but produced by others | After a customer place an order, the e-commerce company receives the white-labeled product, applies its branding and packaging, and then delivers the product to the buyer |
| Wholesale | All activities that occur when goods or services are sold to customers who purchase them for the purpose of reselling them or using them for business purposes | Hold strong relationships both upstream and downstream of the supply chain |
| Private Label | Use companies that may not have the initial capital or own production space to produce goods | Private e-commerce businesses send their plans to the contract manufacturer who manufactures the product. The manufacturer, also called the Original Equipment Manufacturer (OEM), may also be able to deliver directly to the buyer or directly to the company receiving the order |
| Services | Coaching, writing, and influencer marketing that are purchased and paid for online | Breaks down the barriers of time and space, greatly saving costs |
| Subscription | Recurring purchases of products or services on a regular basis | Segmented customer base and increased customer stickiness |
| Crowdfunding | Allows sellers to raise start-up capital to bring their product to market. Once enough consumers have purchased a product, it is created and shipped | Explore the market and promote products |

Source: [2; 3].

Retail focuses on the ability to connect directly with end-customers; wholesale revitalizes the upstream and downstream of the supply chain to connect with manufacturers and customers; and subscription focuses on health, fashion, and other services. The specific model choice should depend on its own industry. For example: the food industry should consider how wholesale and retail allocate upstream and downstream supply chains. Today, it is almost unthinkable that a company would not use the digital space to increase sales and profits. Here are some of the top e-commerce companies (Table 3).

*Table 3*

**Online Revenue Dynamics from Leading Ecommerce Companies, Billion ($)**

| Company | 2018 | 2019 | 2020 | 2021 | 2022 | Growth rate, % |
|---|---|---|---|---|---|---|
| Alibaba | 25.0266 | 376.844 | 509.711 | 717.289 | 853.062 | 18.93 |
| Amazon | 232.887 | 280.522 | 386.064 | 469.822 | 513.983 | 9.40 |
| Walmart | 514.405 | 523.964 | 559.151 | 572.754 | 611.289 | 6.73 |
| eBay | 10.754 | 10.719 | 10.256 | 10.485 | 9.655 | –7.92 |
| Wayfair | 6.779 | 9.127 | 14.145 | 13.708 | 12.218 | –10.87 |
| JD.com | 462.019 | 576.888 | 745.800 | 951.593 | 1046.239 | 9.95 |

*Ending of the table 3*

| Company | 2018 | 2019 | 2020 | 2021 | 2022 | Growth rate, % |
|---|---|---|---|---|---|---|
| ASOS, ( £ ) | 2.417 | 2.734 | 3.264 | 3.911 | 3.997 | 2.22 |
| Wildberries, (₽) | 11.87 | 223.5 | 437.2 | 84.4 | 166.9 | 97.74 |

Source: [3].

Through this table (Table 3) we can see that from 2019–2020, e-commerce is still growing at a high rate, but 2019 is the year of COVID-19 rampage, why is this situation formed? It may be because of the development of the epidemic, people are more inclined to online services and less offline contact, which is the reason for the continued development of e-commerce. 2021 to 2022, some companies have negative growth, analyze the reasons that lead to this situation: it may be the end of the epidemic, the expectation of offline activities, and the rebound of some real economy.

E-commerce has increased rapidly during the COVID-19 pandemic and is still growing. E-commerce stores are less expensive to operate than stores with brick-and-mortar locations. How can we get a full picture of the pros and cons of e-commerce? The author of this article will provide a comprehensive analysis (Table 4).

*Table 4*

**Advantages and disadvantages of an e-commerce business**

| Advantages | Disadvantages |
|---|---|
| Convenience and accessibility: It is carried out around the clock and seven days a week; using mobile or desktop devices, which provides sales and profit opportunities around the clock for e-commerce businesses | Fierce competition: Because of the low barrier to entry and low start-up costs, competitors can easily enter the market by selling the same or competing products at lower prices, thereby reducing margins and revenue |
| Increased selection of products: Retail brands have the opportunity to offer a wider selection of products through their online store online compared to their physical stores | |
| Lower startup cost: Reduce many of the initial costs associated with the operation of physical stores (rent, inventory and headcount), but retains storage costs and shipping costs | |
| International or cross-border sales opportunities: Not limited by geographical location, which allows the business to attract more customers around the world, maximizing the sales potential | Lack of instant gratification: Waiting for goods for a certain period of time |
| Client retargeting online: A way to attract and retain existing customers or acquire new similar customers by targeting your existing customers with products that are similar to the ones they love or complementing their past purchases | Unreliable technologies and security breaches: Failures in the operation of websites or the need to close them, especially in the event of a security breach that jeopardizes the personal data of customers |
| Scalability with lower operating costs: Handle large volumes of traffic and sales spikes, allowing you to scale by increasing inventory and fulfilling orders | |
| Deliver personalized experiences: Artificial intelligence is used to personalize from on-site search to dynamic pricing and carefully selected product recommendations | Limited customer interaction: Does not provide direct customer service and support personally |
| Access to new technologies: Use technology to streamline operations, promote products, improve collaboration, and provide faster customer service | |

Source: [4; 5].

In general, one of the biggest features of e-commerce is the convenience, the ability to serve customers anytime and anywhere, and through big data analysis to accurately meet customer needs; but at the same time it cannot provide customers with a physical shopping experience, the need for courier and other supporting services as well as a high degree of price transparency, profit margins are weak. Among the global trends in the development of e-commerce, it is worth highlighting conscious consumption (environmentally friendly recyclable goods as opposed to disposable ones), seamless (omnichannel) shopping, the introduction of augmented and virtual reality, »invisible» payments, and payment by face [6].

In other words, stores are trying to make the buying process not only as fast and comfortable as possible, but also exciting. This, among other things, becomes a challenge for classic marketing. E-commerce is heading for personalization: due to the «smart» search and selection of goods, personal recommendations, online stylists and other tools. AI will be able to analyze all your purchases and preferences, making personal recommendations taking into account your characteristics. Grocery chains are already implementing the selection of goods based on a genetic test and basic medical indicators.

Now, e-commerce is still the most dynamic segment of the digital economy. The last two years have been transformative for the e-commerce industry. Due to COVID-19, it has received an unprecedented boost and continues to grow on its own. But to maintain this momentum, e-commerce companies need to focus on innovating change rather than reacting to it, and quickly adopt trends to keep existing customers loyal and attract new ones.

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