

# STUDY GUIDE ECOFIN

— BAU x MARMARA TRAIN '22



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## I. Letter from the Secretary-General

Honorable Participants,

It is an honor to welcome you all to the first edition of Marmara Train Conference which will be held in 17-18 December in İstanbul, Turkey. As Marmara Mun Society after we heal the scars that pandemic gives, we are ready again to reach the same level of perfection again. In 2021-2022 academic year, we were really disappointed about the level of conferences and delegates in Turkish Mun Society. After we demonstrate our academic level in conferences that we attend last year, as Marmara Mun Society we take it as a duty to train delegates to make MUN community competitive and catch the diplomatic atmosphere of pre-pandemic level again with the strength which comes from our 7 years of history and experience. In my ninth year, after numerous MUN experiences in different countries, It's such a point of honor for me to organize and lead such kind of an organization at the last year of my career.

In this conference, we start with planning 6 committees. Two of them will be High School level, two of them will be university level. We choose DISEC, SOCHUM and WHO committees which can be younger participants can discuss and cover agenda items better and get used to MUN procedure easily. For the University level committees which are ECOFIN, SPECPOL and UN WOMEN prepared to show Turkish Mun Community how things going on at International Level.

MarmaraMun and BAUMUN Family works harder than ever to strive for perfection with their new generation while following the light of our past. We invite you BAU X MarmaraTrain'22 for a perfect start to your MUN career.

Best Regards,

Yiğit Bilir

*Secretary General*

## II. Letter from the Deputy Secretary-General

As the Deputy Secretary General of BAU X MARMARA Model United Nations Conference, it is worth to state that we make difference by striving for perfection, as always. Being a big family instead of teammates allowed us to work hard and pay attention even to the smallest details to make this conference unforgettable for you. All of our agenda items are related to current issues which need to be discussed upon by intelligent people, and I strongly believe that the hope for the future is the young critical thinkers ready to make sound. In this context, I suggest all of the delegates read this helpful document carefully and make their further research before the conference. I wish a great conference by collaborating and fairly taking help from diplomacy to create a better world altogether.

Good luck,

Elif Nazlı KAFADAR

*Deputy Secretary General*



# Economic and Financial Affairs Council configuration (Ecofin)

The Economic and Financial Affairs Council (ECOFIN) is responsible for EU policy in three main areas: economic policy, taxation issues and the regulation of financial services.

## **A. How does Ecofin Work?**

The Ecofin Council is made up of the economic and finance ministers from all member states. Relevant European Commissioners also participate in meetings.

There are also specific Ecofin sessions, attended by national budget ministers and the European Commissioner for financial programming and budget, to prepare the EU's annual budget. Ecofin meetings generally take place once a month.

### **a. About Economic and Financial Affairs Policy**

Economic and financial affairs policy basically stands for regulating and implementing what is missing from economic and financial studies. With Eurogroup and Ecofin Council, policymakers can easily manage the situations that is currently happening.

#### **i. Eurogroup**

Eurogroup is an informal body bringing together euro area ministers to discuss euro-related matters.

The Economic and Financial Affairs Council, commonly known as the Ecofin Council, is responsible for:

- economic policy
- taxation matters
- financial markets and capital movements
- economic relations with countries outside the EU

It also prepares the EU's annual budget and takes care of the legal and practical aspects of the single currency, the euro.



i. The Ecofin Council:

- coordinates member states' economic policies
- furthers the convergence of their economic performance
- monitors their budgetary policies

It also coordinates EU positions for international meetings, such as the G20, the International Monetary Fund and the World Bank. It is also responsible for the financial aspects of international negotiations on measures to tackle climate change.

## **B. Introduction to the Agenda Item**

In every step of our lives, we see several news about inflation and it clearly affects the life conditions. Even though it can be seen as an unexpected situation, nothing is unexpected on the way round. Every action that people take can cause damages in the inflation ratio.

### **a. What is Inflation?**

Prices for products and services are constantly mutable in a market economy. Some prices go up, while others go down. When prices for goods and services rise broadly rather than simply for specific commodities, it is said to be inflation. This means that now, for every euro spent, there is less available to be purchased. In other words, inflation gradually lowers the value of a currency. In the field of economics, inflation is the broad term for a rise in the cost of goods and services across an economy. Each unit of currency may purchase fewer products and services as the general price level rises, hence inflation is associated with a decline in the purchasing power of money. Deflation, a continuous drop in the general level of prices for goods and services, is the reverse of inflation. The annualized percentage change in a general price index, or inflation rate, is the most widely used indicator of inflation. The consumer price index is frequently used for this reason since prices do not all rise at the same rate.

Inflation can be defined as the loss of purchasing power which is the direct effect of the rise in prices for goods and services. Usually, a year is the determined period to measure the change in prices. Even though it mostly affects the consumers, the effect is a direct impact on the whole market. Inflation is measured by the change of price in the "inflation basket" of commonly purchased items which is conducted by governmental agencies. The contents

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consist of household expenses, education, food and beverages, transport, health and many more necessities of an average consumer in the country. Inflation can be observed in three categories such as cost-push effect, demand-pull effect and built-in inflation. Demand-pull inflation can be observed when the demand for goods and services exceeds the economy's production capacity. This leads to rising prices due to the increasing demand. The cost-push effect is the result when the cost of the production materials for a product rises which increases the price accordingly. This can happen when labour and land expenses rise and capital, which is the business's ability to borrow money, gets limited. Cost-push inflation is driven by supply-side factors whereas demand-pull inflation is a result of consumer demand. On the other hand, Built-in inflation is related to adaptive expectations or the idea that people expect current inflation rates to continue in the future. As the price of goods and services rises, people may expect a continuous rise in the future at a similar rate. As such, workers may demand more costs or wages to maintain their standard of living. Their increased wages result in a higher cost of goods and services, and this wage-price spiral continues as one factor induces the other and vice-versa. The wage-price spiral can be described as the relationship between rising labour costs and inflation. Increased demand results in demand-pull inflation while increased wages lead to cost-push inflation. This leads them to increase therefore causing a cycle called the wage-price spiral.

A common comparison to the current inflationary period is with that of the post-World War II era, when price controls, supply problems, and extraordinary demand fueled double-digit inflation gains—peaking at 20 percent in 1947—before subsiding at the end of the decade, according to the US Bureau of Labour Statistics. Consumption patterns today have been similarly distorted, and supply chains have been disrupted by the pandemic. In the United States, 7.5 percent inflation can be observed in January 2022 which is the highest level since 1982. When an increase in inflation is observed, central banks take anti-inflation measures such as raising interest rates.

### **b. How Inflation is Measured?**

The Consumer Price Index (CPI), which calculates the percentage change in the cost of a selection of products and services that families typically use, is the most well-known measure



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of inflation.

We can use an example to clarify how inflation is computed. In this illustration, inflation is calculated for a basket that contains the two items childcare and literature. The following formula can be used to determine inflation for a single item.

*(this formula is not an important information for the committee, this is just hypothetical information to understand how inflation calculated and it can be analyzed)*

A book cost \$20 in 2016 (the first year), then it climbed to \$20.50 in 2017. (year 2). In 2016, an hour of daycare cost \$30; in 2017, that cost rose to \$31.41.

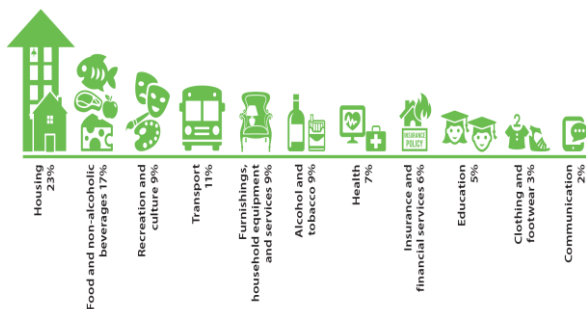
$$\text{Inflation} = \frac{\text{Price}_{\text{Year 2}} - \text{Price}_{\text{Year 1}}}{\text{Price}_{\text{Year 1}}} \times 100$$

Items	2016	2017	Inflation
 Books	\$20	\$20.50	2.5%
 Daycare	\$30	\$31.41	4.7%

The cost of living for consumers is influenced by the cost of living for households as well as the cost of a variety of goods and

services. Government organizations undertake home surveys to determine a basket of frequently purchased commodities and track over time the cost of purchasing this basket in order to calculate the typical consumer's cost of living. (Housing costs, including rent and

Groups in the CPI basket and their weights in 2021\*



\* Numbers do not add to 100 per cent due to rounding.

mortgages, make up the greatest portion of the American consumer basket.) The consumer price index (CPI), the most commonly used indicator of inflation, measures the cost of this basket at a given moment stated relative to a base year. Consumer price inflation, on the other hand, measures the percentage change in the CPI over a given period.

CPI- A consumer price index (CPI) measures the cost of a market basket of products and services for consumers that households purchase on average and are weighted. The measured CPI fluctuates to reflect changes in prices over time.



**c. What Causes Inflation?**

Lax monetary policy often leads to prolonged periods of high inflation. The unit value of the currency decreases, which means that its purchasing power decreases and prices increase, if the money supply increases excessively in comparison to the size of an economy. One of the first economic theories is known as the quantity theory of money, and it describes the connection between the money supply and the size of the economy.

- *-lax monetary policy: Although a loose monetary policy can eventually generate a recession and increased inflation, it cannot by itself bring about the collapse of a financial system. It is sometimes asserted that the so-called "subprime" crisis was brought on by loose monetary policy, which created an abundance of liquidity in the financial markets.*

**1. Consumer Price (demand-pull) Inflation**

Inflation driven by demand is one factor. When this happens, there is a rise in demand for products and services but not a substantial rise in supply. Businesses can't scale up production quickly enough to meet demand in the short run. Prices rise as a result. When consumer demand outpaces the available supply of many types of consumer goods, demand-pull inflation sets in, forcing an overall increase in the cost of living.

**2. Cost Push Inflation**

In some circumstances, price increases are caused by both an increase in production costs for firms and a rise in demand. Cost-push inflation is the problem in question.

For instance, rising expenses for labor or raw materials may compel businesses to raise the price of the products and services they offer. A general price increase and higher inflation rates may result if enough businesses are impacted and raise their prices.

When overall prices rise (inflation) as a result of rising costs for wages and raw materials, this phenomenon is referred to as cost-push inflation, also referred to as wage-push inflation. The total amount of production in the economy may decline as a result of higher manufacturing costs. Cost-push inflation results from the manufacturing price increases being passed on to consumers because the demand for goods hasn't altered.

**3. Devaluation**

When a currency loses value in relation to other currencies, devaluation has taken place. As a result, imports become more expensive and inflation may result.





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If the value of the dollar falls versus the euro, more dollars are needed to buy the same number of euros. A company may need to boost pricing if it imports items from Europe to cover the higher cost.

To address a trade imbalance is one reason a nation can weaken its currency. Devaluation makes a nation's exports less expensive and more competitive on the world market, which raises the price of imports. Domestic consumers are less likely to buy imports if they are more expensive, which helps domestic businesses grow. There is often a better balance of payments since the trade deficit decreases as exports rise and imports fall. In other words, a nation that devalues its currency might reduce its deficit since there is a greater demand for less expensive exports.

### **4. Increasing Wages**

On the extent to which increasing salaries effect inflation, there are divergent opinions. Even though greater salaries may seem like a good thing for workers, some economists worry that there could be negative effects, especially if the minimum wage is increased. Employees may have more money to spend on goods and services if they earn more money. Businesses may decide to increase their pricing to offset rising production and labor costs as a result of increased demand. Some specialists disagree. According to them, previous minimum wage increases have not kept pace with inflation rises. Employers may hire fewer people, or productivity levels may be higher, which would reduce inflation rates.

### **5. Expectations from Inflation**

Businesses and employees may anticipate higher inflation results when they start to worry about inflation. As a result, employees might demand raises in pay to make up for the rising cost of living. But their anxieties may make the situation worse, which is a self-fulfilling prophecy. Companies must raise their pricing in order to pay their employees higher wages. In order to retain their profit margins, businesses will raise their pricing when they believe that raw materials are more expensive. As a result, inflation rates may increase as inflation expectations rise.

## **C. Global Inflation and Effects to Countries**

The Washington-based fund cautioned that it might be more difficult to get measured inflation rates back down to the levels observed.



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The IMF Head said "We actually believe that it will be more difficult to reduce inflation to the desired level of about 2%. Why? Because the realization that we no longer solely base economic decisions on cost has led to a changing cost structure, which is one of the drivers of deflation along with disruptions in supply and demand. "Supply chain security is important as well. If supply chains are going to be diversified, prices will obviously face some pressure to rise.

The IMF predicted that global inflation would reach a peak of 9.5% in the third quarter of 2022 before declining to approximately 4.1% by 2024 in its annual health check on the world economy, which was published last month. In expectation that major central banks would start to shift away from using significant interest rate rises to tackle skyrocketing living costs, international investors in financial markets are keeping a watchful eye out for indications that global inflation has peaked.

However, given increased geopolitical tensions and a global restructuring of manufacturers' supply lines, analysts caution that inflationary pressures may end up being more permanent than in the past. Businesses have attempted to get supplies from closer to home, even if this results in higher pricing, in response to the serious disruption caused by the Covid epidemic. The Bank of England stated last week that it anticipated the UK's inflation to peak at just under 11% in October before sharply declining over the course of the next year.

(Delegates of the ECOFIN committee should check this link in order to create a comprehensive data about the World inflation rate

<https://www.imf.org/external/datamapper/PCPIPCH@WEO/OEMDC> )



Country	Last	Previous	Reference	Unit
<b><u>China</u></b>	2.1	2.8	Oct/22	%
<b><u>Saudi Arabia</u></b>	3	3.1	Oct/22	%
<b><u>Switzerland</u></b>	3	3	Nov/22	%
<b><u>Japan</u></b>	3.7	3	Oct/22	%
<b><u>South Korea</u></b>	5	5.7	Nov/22	%
<b><u>Indonesia</u></b>	5.42	5.71	Nov/22	%
<b><u>France</u></b>	6.2	6.2	Nov/22	%
<b><u>Brazil</u></b>	6.47	7.17	Oct/22	%
<b><u>Singapore</u></b>	6.7	7.5	Oct/22	%
<b><u>India</u></b>	6.77	7.41	Oct/22	%
<b><u>Spain</u></b>	6.8	7.3	Nov/22	%
<b><u>Canada</u></b>	6.9	6.9	Oct/22	%
<b><u>Australia</u></b>	7.3	6.1	Sep/22	%
<b><u>South Africa</u></b>	7.6	7.5	Oct/22	%
<b><u>United States</u></b>	7.7	8.2	Oct/22	%
<b><u>Mexico</u></b>	8.41	8.7	Oct/22	%
<b><u>Euro Area</u></b>	10	10.6	Nov/22	%
<b><u>Germany</u></b>	10	10.4	Nov/22	%
<b><u>United Kingdom</u></b>	11.1	10.1	Oct/22	%
<b><u>Italy</u></b>	11.8	11.8	Nov/22	%
<b><u>Russia</u></b>	12.6	13.7	Oct/22	%
<b><u>Netherlands</u></b>	14.3	14.5	Oct/22	%
<b><u>Turkey</u></b>	84.39	85.51	Nov/22	%
<b><u>Argentina</u></b>	88	83	Oct/22	%

## **D. How Does Inflation Effect Countries?**

High levels of inflation can be an obstacle to a country's development. Therefore, especially developing countries which already have a major inequality among the public face it severely. High inflation effects the income and savings of lower socio-economic households than wealthy households. Low-income households depend on a wage income more than wealthier households which get outstripped by price inflation. However, investment and self-employment income get less affected by it. Increasing inflation increases the cost of holding money. For this reason, households and businesses will turn to capital accumulation instead of holding money in their asset portfolios to protect their real income, and as a result, increased investments will positively affect growth. However, according to another approach, high inflation, which hurts investment decisions, affects growth negatively through the investment channel. Since the low-income does not have access to investment methods due to the high costs and lack of cash, they cannot deal with the high inflation personally. If a country's policies are not targeted to protect the citizens and are more towards the market, this widens the gap such that economic stability further collapses.

## **E. Additional Information about Supply and Demand**

### ***a. Demand***

A household's choice of how much of a specific output, or product, to purchase depends on a variety of factors, such as:

- The cost of the commodity in question, the household's income, the amount of wealth it has built, the costs of other goods it can purchase, its tastes and preferences, and its expectations for future income, wealth, and prices are all factors.
- The link between market price and quantity requested is crucial in each market. A product's price changes have an impact on the quantity required over time.
- Ceteris paribus (everything else being equal) holds expectations, tastes, and other financial factors constant. Demand is affected by changes in any other element, such as income or tastes.

Here is an example for Demand Schedule:



**TABLE 3.2 Shift of Alex's Demand Schedule Due to an Increase in Income**

Price (per Gallon)	Schedule $D_0$	Schedule $D_1$
	Quantity Demanded (Gallons per Week at an Income of \$500 per Week)	Quantity Demanded (Gallons per Week at an Income of \$700 per Week)
\$8.00	0	3
7.00	2	5
6.00	3	7
5.00	5	10
4.00	7	12
3.00	10	15
2.00	14	19
1.00	20	24
0.00	26	30

**b. Supply**

Because they can sell their goods for more than it costs to make them, profitable businesses turn a profit. Earnings The discrepancy between revenues and expenses

Here is an example for Supply Schedule:

**TABLE 3.4 Shift of Supply Schedule for Soybeans Following Development of a New Disease-Resistant Seed Strain**

Price (per Bushel)	Schedule $S_0$	Schedule $S_1$
	Quantity Supplied (Bushels per Year Using Old Seed)	Quantity Supplied (Bushels per Year Using New Seed)
\$1.50	0	5,000
1.75	10,000	23,000
2.25	20,000	33,000
3.00	30,000	40,000
4.00	45,000	54,000
5.00	45,000	54,000

**DEFLATION AND ITS EFFECTS**

Deflation can be defined as the decrease in general price levels of goods and services. It can be also defined as negative inflation. Even though it can seem a positive effect, it is a major economic problem. When deflation occurs, a deflationary spiral or a recession usually follows. Recession usually causes the demand to fall due to people being more towards to saving for various reasons such as losing fate in the economy, increased interest rates and higher borrowing costs. When production costs get lowered, oversupply in the economy is starting to show. Producers need to set low prices to get people to purchase them.



Deflation caused by a recession can increase unemployment since producers need to limit their expenses. Also, since being in debt is not favourable, a limit on spending is inevitable. A deflation spiral is a situation where decreasing price levels trigger a chain reaction that leads to lower production, lower wages, decreased demand, and even lower price levels. During a recession, the deflation spiral is a significant economic challenge because it further worsens the economic situation. In short term, deflation can be seen as favourable since reducing prices for goods and services means more spending power to the consumers. However, the risk of unemployment and the aforementioned negative effects still is a major problem. With companies having low borrowing power and high-interest rates, it can lead to bankruptcy. Overall, the power of holding cash gets increased which means less investment from both consumer and producer perspectives.

### **F. E-Commerce**

The action of electronically purchasing or reselling goods using online services via the Internet is known as e-commerce (or electronic commerce). Mobile commerce, electronic funds transfers, supply chain management, Internet marketing, online transaction processing, electronic data interchange (EDI), inventory management systems, and automated data gathering systems are just a few of the technologies that are used in e-commerce. The greatest sector of the electronics industry, e-commerce is fueled by the technological developments of the semiconductor sector. E-commerce frequently uses the web, if not exclusively, for at least some of the life cycle of a transaction, while it may also employ other technologies like e-mail. Typical online business dealings involve buying goods (like books from Amazon) or services (such as music downloads in the form of digital



distribution such as iTunes Store). Online retail, electronic markets, and online auctions are the three subfields of e-commerce. Electronic business provides a foundation for e-commerce. The purpose of e-commerce is to enable customers to shop and pay online over the

Internet, saving both time and space for consumers and businesses while also significantly improving transaction efficiency, especially for time-constrained office workers.

*Additionally, some or all of the following may be used by e-commerce companies:*



- Online retail sales to consumers directly through websites and mobile applications, as well as conversational commerce using live chat, chatbots, and voice assistants;
- Business-to-business (B2B) purchasing and selling; gathering and utilizing demographic data through web contacts and social media; providing or taking part in online marketplaces that handle third-party B2C or C2C sales;
- E-commerce between businesses;
- using fax or email to market to current and potential clients (for instance, through newsletters);
- pre-launch activities for the introduction of new goods and services;
- Online financial exchanges for trading or exchanging currencies.



- E-commerce refers to the buying and selling of products and services online.
- Computers, tablets, cellphones, and other smart devices are used to conduct it.
- Today, almost anything can be bought online; as a result, e-commerce is frequently very competitive.
- It can take the place of physical storefronts, while some companies decide to keep both.
- Business-to-business, business-to-consumer, consumer-to-consumer, and consumer-to-business are just a few of the market segments in which e-commerce is active.

## G. Particular Considerations

The way individuals purchase for and use goods and services has changed as a result of e-commerce. More and more individuals are using their computers and other electronic devices to place orders for products that can be delivered right to their homes. As a result, it has altered the retail environment. Due of their enormous popularity, Amazon and Alibaba have



forced established retailers to alter the way they conduct business. That's not all, though. Individual merchants have been participating in ecommerce transactions more frequently through their own personal websites, not to be outdone. Additionally, several buyers and sellers congregate on online marketplaces like eBay and Etsy to transact business.



### **FAST FACT**

*Ecommerce may be thought of like a digital version of mail-order catalog shopping. Also called online commerce, ecommerce is the transaction between a buyer and a seller that leverages technology.*

### a. Describe Amazon as an Example for E-commerce

The biggest online retailer in the world and a well-known cloud service provider is Amazon. Amazon began as an online bookstore but has now evolved into a web-based company primarily specializing in e-commerce, cloud computing, digital streaming, and artificial intelligence (AI) services. The company, which uses an Amazon-to-buyer sales model, has a massive product selection and inventory that allows customers to purchase almost everything, including clothing, household products, furniture, toys, jewelry, books, movies, electronics, pet supplies, and gourmet food.

#### ***Amazon' effect on inflation***

A titan in the e-commerce world is Amazon. In actuality, it is the biggest online store in the world and is still expanding. As a result, it is a significant disruptor for the retail sector, prompting some of the biggest merchants to reconsider their plans and change their priorities.

The company began operations using an ecommerce platform for product delivery and online sales. In 1994, Jeff Bezos started it as an online bookstore, but it has since grown to provide a wide range of products, from apparel to housewares, power tools to alcoholic beverages and food, to gadgets.





Sales of the company rose 38% from the prior year to \$386.1 billion in 2020 as opposed to \$280.5 billion in 2019. The wind at Amazon's back seems to be dying down, and the inflationary impact of its aggressive pricing may be diminishing. However, the corporation still has a sizable client base and all the data and metrics that are generated daily to help it make decisions as it continues to infiltrate every aspect of our lives. The rival will need to know its customers at least as well as Amazon does in order to compete.

### **ADVANTAGES AND DISADVANTAGES**

- **Convenience:** Online shopping is available around-the-clock, every day of the week. Even though ecommerce can be time-consuming, it is still feasible to make sales while you sleep or make money away from your store.
- **Increased choice:** Compared to their physical storefronts, several retailers provide a wider assortment of goods online. Additionally, a lot of online-only companies may provide customers with exclusive stock that is inaccessible elsewhere.
- **Potentially lower start-up costs:** Ecommerce businesses often don't need a physical storefront, although they may need a warehouse or manufacturing facility. Digital operations frequently cost less than paying rent, insurance, building maintenance, and property taxes.
- **International sales:** An e-commerce business is not constrained by physical geography and can sell to anyone in the globe as long as it can ship to the client.
- **Retargeting clients is simpler** since it is simpler to get their attention to pop-up ads, targeted marketing campaigns, or positioned advertisements as they browse a digital marketplace.
- **Limited customer service:** If you buy a computer online, you can't just ask a salesperson to show you the features in person. Additionally, although some websites allow you to communicate online with staff, this is not a common occurrence.
- **Lack of immediate gratification:** When purchasing something online, you must wait for delivery to your house or place of business. E-tailers like



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Amazon, however, lessen the agony of waiting by providing same-day delivery as a premium option for a few products.

- Inability to touch products: Because online pictures do not always accurately represent a thing, online purchases may not be rewarding when the final product does not live up to expectations.
- Reliance on technology: If your website crashes, garners an overwhelming amount of traffic, or must be temporarily taken down for any reason, your

### Pros

- Convenient for owners as revenue may be generated semi-passively
- Convenient for consumers looking to easily browse for specific products
- Greater earning potential due to no limitations on physical location (can sell to anyone as long you can ship there)
- Reduced costs assuming digital presence costs less than building, insurance, taxes, and repairs.
- Greater marketing control including data extraction from customers, targeted ads, and pop-up placement

### Cons

- Limited customer service opportunities as there is little to no face-to-face opportunities
- Lacks instant gratification as customers must believe in a product before seeing it in person
- Products can't been seen or handled until delivered (can't try before they buy)
- Risk of a down website causing lost revenue or income.
- High reliance on shipping constraints which may be out of your control
- Higher competition due to lower barriers of entry and greater customer potential

business is effectively closed until the ecommerce storefront is back.

Higher competition: Although the low barrier to entry regarding low cost is an advantage, this means other competitors can easily enter the market.

Ecommerce companies must have mindful marketing strategies and remain diligent on SEO optimization to ensure they maintain a digital presence.



## H. TYPES OF E-COMMERCE

### a. Business to Consumer (B2C)

B2C ecommerce businesses market their products directly to consumers. A business-to-consumer (B2C) company conducts business directly with the consumer who will utilize the product in the end rather than distributing items to an intermediary. This kind of business strategy may be utilized to offer goods or services (such as on the internet of your neighborhood sporting goods store) (i.e. a lawncare mobile app to reserve landscaping services). The most typical business model and probably the idea that most people associate with e-commerce.

### b. Business to Business (B2B)

Similar to B2C, an ecommerce company can offer products directly to customers. However, that user can be another business as opposed to a customer. Larger quantities, stricter standards, and longer lead times are frequently involved in B2B transactions. If the order is for recurrent manufacturing operations, the company placing it may also need to set recurring goods.

### c. Business to Government (B2G)

Some organizations focus on serving government agencies or administrations as contractors. The firm generates goods of value and sends those goods to an entity, just like in a B2B connection. B2G e-commerce businesses frequently have to comply with government request for proposals specifications, request bids for projects, and meet extremely strict product or service standards. Additionally, there can be cooperative government initiatives to use a government-wide purchase contract to request a single contract.



**d. Consumer to Consumer**

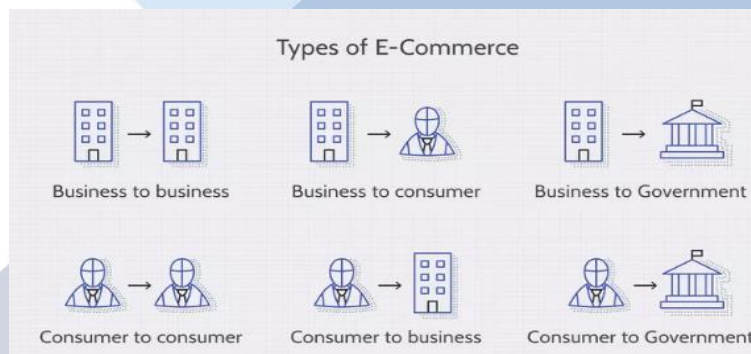
Only established businesses are capable of making sales. Digital marketplaces, an example of an ecommerce platform, connect customers with other customers who can list their own products and carry out their own sales. These C2C platforms might be listings in the form of auctions (like eBay auctions) or they might call for more conversation about the good or service being offered. C2C ecommerce platforms, made possible by technology, enable consumers to buy and sell without the assistance of businesses.

**e. Consumer to Business**

Modern platforms have made it simpler for customers to interact with businesses and provide their services, particularly in relation to temporary jobs, gigs, or freelance opportunities. Think about the listings on Upwork, for instance. Customers can communicate with businesses looking for certain workers or request quotes from them. The e-commerce platform links companies with independent contractors in this way to provide customers more control over meeting their needs in terms of cost, scheduling, and employment.

**f. Consumer to Government**

Through C2G collaborations, consumers can communicate with administrations, organizations, or governments in a less typical e-commerce manner. These partnerships frequently involve an obligation-based transaction rather than an exchange of services.



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An e-commerce transaction involving the exchange of information, for instance, would be the uploading of your Federal tax return to the IRS's digital website. You can also send your county assessor your property tax payments or pay your university's tuition online.

### **Drop shipping**

Drop shipping, which is sometimes regarded as one of the simpler e-commerce models, enables a business to set up an online shop, earn revenues, and then rely on a supplier to deliver the product. The e-commerce business collects money when the sale is made using a credit card, PayPal, bitcoin, or another type of digital currency. The dropship supplier receives the order from the e-commerce store after that. This provider oversees the warehouse of items, manages the inventory, packages the goods, and delivers the finished good to the customer.

**⚡ Important:** The U.S. Census Bureau conducts estimates of retail ecommerce sales in the United States. In the first quarter of 2022, retail ecommerce accounted for 14.3% of total sales in the country, totaling roughly \$231.4 billion. <sup>[5]</sup>

### **White labeling**

White label e-commerce businesses take use of popular products offered by another business. The e-commerce business receives the existing product after a consumer puts an order, repackages it with their own packaging and label, and then ships the product to the customer. Although the e-commerce business has little to no control over the products they get, it often has few to no manufacturing limitations.

### **Wholesaling**

Wholesaling, a more capital-intensive method of conducting business online, requires managing stock levels, monitoring client orders, storing shipping information, and frequently owning the warehouse space needed to store goods. Retailers may be charged unit prices by wholesalers, or bulk pricing. However, the general strategy for wholesaling is to establish connections with purchasers of a comparable, standardized product in large quantities or numerous smaller buyers.

### **Private Labeling**



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Private labeling is a more suitable e-commerce strategy for businesses that can lack significant upfront capital or do not have their own factory facilities to produce items. The product is made by a manufacturer under contract after receiving plans from private label e-commerce businesses. The manufacturer might also be able to ship orders straight to customers or to the business that is receiving the order. The businesses that can't handle the necessary capital expenditures but may occasionally receive on-demand orders with short turnaround times are most suited for this type of e-commerce.

### QTBA

- How can e-commerce be promoted?
- Does inflation affect countries?
- What are the main reasons behind inflation jump?
- What policies can be implemented in order to reduce impact of inflation?
- Did covid-19 affect inflation?
- What do you think about dollar rapid rising?
- What are the measures governments should take?
- Should regulations on e-commerce be more strict and if yes by how?
- Do you think that politicians affect inflation if yes by how?
- How can spontaneously inflation jump be prevented?

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