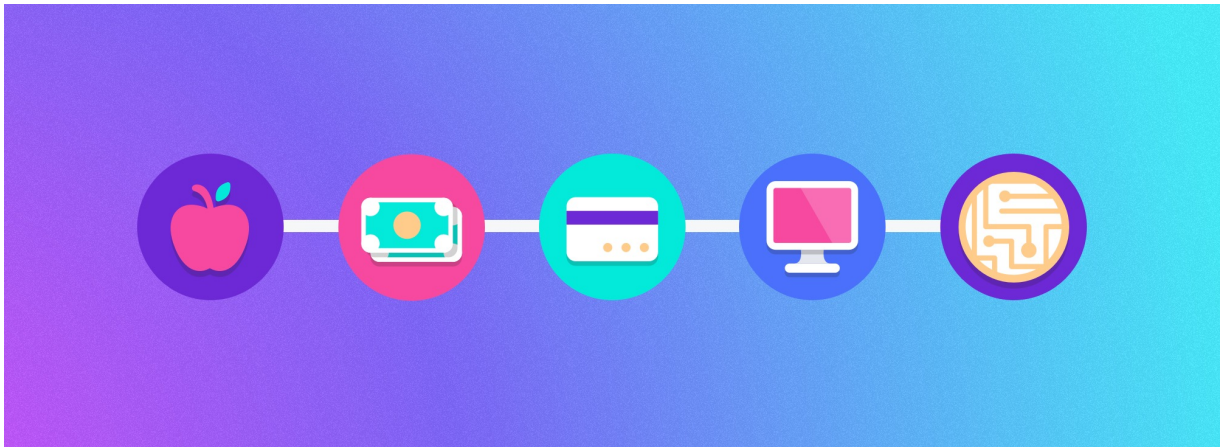


The History of Commerce: From the Silk Road to Modern Ecommerce



The history of commerce is, in many ways, a history of the world. Commerce and international trade shaped — and were shaped by — geography, climate, politics, peace, war, fashions, gastronomic taste, language, and so much more.

From the Silk Road, which connected China and the Far East with the Middle East and Europe, to the advent of ecommerce, the act of exchanging one thing of value for another has had an incredible impact on the world — and vice versa.

“We think of globalisation as a uniquely modern phenomenon; yet 2,000 years ago too, it was a fact of life, one that presented opportunities, created problems and prompted technological advance.”

— Peter Frankopan, *Silk Roads*

In this deep dive, we’ll look at the elements of commerce and how they evolved over time, as well as some of the important historical events that shaped the way we buy and sell even today.

What is Commerce?

Commerce refers to all the activities around the exchange of goods or services for something of value like currency or, in bartering societies, other goods or services, including the process of getting those goods from [manufacturer](#) to customer, and everything in between.

In his book on the [history of commerce](#), Clive Day describes it as “getting the material things which furnish [man] with the means of subsistence and culture.”

What started out as grueling overland or sea journeys with bulky but valuable cargo is now a well-oiled but still challenging and complex system of foreign trade. As communications and transportation have evolved over the centuries, a globalized world — complete with global trade — has emerged.

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6 Types of Commerce Business Models

As trade and commerce evolved, distinct [types of commerce](#) emerged based on the type of buyer and the type of seller involved in the transaction. These are the six primary [business models](#) to be aware of.

1. Business-to-consumer (B2C).

[B2C](#) commerce refers to a business selling a product to a consumer — for example, if you buy a shirt from a department store or a pair of new headphones from an electronics store.

2. Business-to-business (B2B).

When businesses sell products to other businesses, that's [B2B commerce](#). It can be commodities or raw goods, products that a company uses to conduct its business (e.g., laptops for employees), or products purchased wholesale that the company intends to resell in the retail market.

3. Business-to-administration (B2A).

Sometimes referred to as B2G (business-to-government), this is when businesses sell products or services to government organizations.

4. Consumer-to-administration (C2A).

Similar to B2A, C2A commerce is when an individual consumer provides something to a government organization.

5. Consumer-to-consumer (C2C).

C2C commerce is characterized by individual consumers trading with each other in a decentralized way. It has increased in recent years with an uptick in marketplaces (e.g., [eBay](#)) and resale platforms like Poshmark and The RealReal.

6. Consumer-to-business (C2B).

C2B commerce is characterized by an individual consumer creating value for a business. The work of influencers can fall under this category. Another example would be a consumer participating in a business' focus group.

7. Direct-to-consumer (DTC).

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DTC is a business model characterized by manufacturers selling their products directly to end customers, cutting out the middlemen of retailers, distributors, wholesalers, etc. These manufacturers interact directly with their customers and learn about their specific wants and needs.

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The 8 Branches of Commerce

Commerce is, in essence, the act of exchanging goods and services — but that exchange is really [just one piece](#) of the puzzle. How goods are transported from origin to destination, where they're stored, processes for [distribution](#), and more, are all important aspects of commerce.

1. Trade.

Trade refers to the actual trading of goods and services for something of value. Today, that “something of value” is typically currency, but in bartering societies it would have been another good or service of value.

2. Transport.

There is often great distance between a product's supply and its [demand](#). From the earliest days of trade, merchants understood the value of moving products from one place to another. Transport is the process of how those goods are moved — whether it be raw materials going to a manufacturer or the finished product.

3. Storage and warehousing.

When there is a gap in time between when a product is manufactured and when it is sold, it must be stored somewhere in the interim. This is where [warehousing](#) comes in. Depending on the product and quantity of inventory, there can be a significant storage requirement.

4. Distribution.

Distribution is where retailers come in (or brands themselves, if they're following a DTC model). The traditional distribution process — which is evolving faster than ever thanks to advances in technology and ecommerce — goes something like this:

- Manufacturers sell to [wholesalers](#),
- Wholesalers sell to retailers, and then
- Retailers sell to consumers.

5. Advertisement.

Advertising and [marketing](#) are the functions by which sellers make customers aware of their products and convince them to buy.

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6. Insurance.

Insurance helps to alleviate some of the risks involved across all the branches of commerce. The whole trade process is inherently risky. Even today, as transportation is more reliable than ever, instant communication is almost always possible, and security is prioritized, dangers like theft and fire are still common concerns. Insurance helps ensure that, for example, a loss of product doesn't mean the whole business goes under.

7. Communication.

Communication connects buyers and sellers. This can refer to face-to-face communication within a brick-and-mortar storefront, phone calls or [emails](#), There are more methods of communication today than ever

8. Banking.

Especially in a business' earliest days, the issue of financing can be a challenge. Banking provides the financial support that merchants need to get — and keep — their businesses running, and to bridge the gap between the time that something is produced and when it is purchased.

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The History of Commerce: From Trading Shells to Buying iPhones

In the early centuries of trade, markets functioned as a new meeting place. Where people used to coexist within their already determined familial, religious, and/or social [communities](#), trade brought people (and wares) together from far and wide.

This exposure to new cultures, “products,” and ideas — all the tangible and intangible results of the act of trading — compounded the benefits of trade itself, creating its own unique etching on the rock of history.

The impact of the rise of commercial trade can be seen everywhere, whether you realize it or not.

For example, some say that commercial development can be credited for the establishment of a seven-day week. Author Eviatar Zerubavel poses that market culture [created a specific need](#) for a cycle of standardized length so that vendors and buyers could plan their next meetings.

Civilization, trade, and currency can be seen advancing over the centuries, starting with the cattle trade as far back as 10,000 B.C., all the way up to modern times — and it’s changing faster than ever.

1. 10,000–5,000 B.C.: Cattle trade.

Cattle were one of the first mediums of exchange and were of considerable value — they could reproduce, and they could also eventually serve as food or clothing. The [Latin word “pecunia,”](#) which means money, is related to “pecus,” which is the Latin word for cattle.

Using cattle as currency is not the same as bartering. Cattle had a fixed value, whereas bartering relies on the [“double coincidence of wants”](#) — if you want a thing, you have to both a) find someone else who has that thing, and b) have a thing of equivalent value that the other party wants.

2. 1,200 B.C.: Trading shells and precious materials.

The cowrie shell — the shell of a mollusk found at that time in the Pacific and Indian Oceans — is important to the history of currency because, as [Glyn Davies writes](#), it “was current over a far greater space and for a far greater length of time than any other [form of money].”

Cowrie shells made a good form of currency because they were durable, easy to transport, and difficult to forge or reproduce. Their impact was longstanding; Davies writes further that in ancient

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China, the cowrie pictograph “was adopted in their written language for ‘money.’”

Precious metals like copper, bronze, gold, and silver were also used as currency at various times and in various ways across the world.

3. 1,000–500 B.C.: Currency.

The [first coins](#), resembling the form of currency we know today, are believed to have originated in Sardis, Ancient Lydia (now Turkey).

At that time Sardis was a [major commercial hub](#) “for the traffic of goods and ideas between Mesopotamia and the Greek Ionian settlements.” Herodotus wrote [of the Lydians](#), “They were the first men whom we know who coined and used gold and silver currency; and they were the first to sell by retail.”

Their coins were created from electrum — a naturally occurring alloy of gold and silver — and stamped with the images of gods and emperors for authenticity.

4. 30 B.C.: The Silk Road.

The Silk Road is not really a road — not by modern standards, anyway. It was instead, [according to author](#) Valerie Hansen, a “stretch of shifting, unmarked paths across massive expanses of deserts and mountains” — connecting China and the Far East with the Middle East and Europe — that transmitted not just merchants’ wares but art, technology, and ideas.

Peter Frankopan writes that the cultures and people who lived in these areas advanced because “as they traded and exchanged ideas, they learnt and borrowed from each other, stimulating further advances in philosophy, the sciences, language and religion.”

The Silk Road was first used by the Han Dynasty in China to officially open foreign trade between Europe and the Far East. But parts of the path had already been used for trading for centuries. 300 years prior to the opening of the Silk Road, the Persians established [the Royal Road](#), a 1,500-mile stretch connecting Susa (the capital of Persia) to Sardis.

As its name suggests, the Silk Road supported a lucrative silk trade from east to west, but a number of [other commodities](#) traveled the path as well, including paper and gunpowder — both Han Dynasty inventions.

Paper’s arrival into Europe via the Silk Road would go on to have a vast impact across the continent by establishing the written word as a key form of communication.

5. 0: Markets.

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Markets or [marketplaces](#), common in cities considered to be hubs of transportation, are places where people gather regularly to buy and sell or trade livestock, provisions, and other wares. In their earliest appearances, markets were typically situated in the center of the city.

Prior to the eleventh century, not much is known about the development of marketplaces, but there is evidence that they go back much further. [Trajan's Market](#) in ancient Rome is one example. Likely built around 100 A.D., the complex included a covered market and various small shopfronts.



Source: [Wikipedia Commons](#)

There is more evidence, however, of the [rapid spread of markets](#) and fairs throughout Europe between 1050–1330 A.D. The Domesday Book of 1086 lists 50 markets in England alone, but many historians say the number is likely higher.

And by the 13th–14th centuries, “Many [trading practices](#), including strategies for [attracting customers](#) and displaying goods, as well as social practices associated with shopping, were well established.”

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6. 800: Paper currency.

Paper currency was [first used](#) by the Chinese during the Tang Dynasty as a form of promissory note, but it took another century or so for it to really catch on and evolve into the kind of currency we know today.

It wasn't until the 1100s, during the Song Dynasty, that government-produced paper money made an appearance.

One lure of paper currency was that it was easier to transport than heavy coins or shells. Particularly when it came to trade over long distances, merchants' lives were much simplified by the lighter load.

7. 1400s: European exploration.

The beginning of the 15th century marks the dawn of the Age of Discovery — and Europeans' aggressive campaign of exploration.

Under the leadership of [Prince Henry the Navigator](#), Portugal set out to explore Africa and the Atlantic. Shortly thereafter, Portuguese explorer [Vasco de Gama](#) became the first European to sail to India, connecting East and West by sea.

Strategic colonization of islands in the Atlantic, as well as points along the western coasts of Africa and India, and the eastern coast of South America, left Portugal with more control of nautical trade routes than any other nation at that time.

But Spain wasn't going to stand by quietly and let Portugal have all the fun. When Christopher Columbus landed in the “New World” in 1492, that accelerated [the rivalry](#) between the two countries and opened a floodgate of Spanish exploration. At the same time, Spanish industry was undergoing rapid development and riches brought back from the Americas ushered in a golden age of art and literature in Spain.

This wave of European exploration was one of the driving forces in the shift of global power from East to West.

8. 1600s: East India Company.

The decline of Portuguese power and subsequent defeat of the Spanish Armada helped to galvanize English trade and led to the development of the British [East India Company](#) (EIC). Founded in 1600 through a charter from England's Queen Elizabeth I to participate in the East Indian spice trade, it also traded in cotton, silk, indigo, saltpeter, and tea, and transported slaves.

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The EIC didn't become [profitable](#) for several decades, but once it did, it achieved global dominance and held a monopoly on trade with India. As its power grew, so too did the power of its home country, England.

9. 1600s–1800s: The modern corporation.

The East India Company was the first institution with what we think of today as a [modern corporate structure](#). It was the first official joint-stock corporation — composed of investors who then receive dividends based on the company's profit and was established as a limited liability corporation (LLC) to protect those investors.

In 1776, a [new development took place](#) in America: Adam Smith published *Wealth of Nations*, which popularized many of the foundational ideas of classical economics. About a century later, courts in the United States recognized corporations as a 'natural person,' giving corporations greater rights and freeing them from many government regulations.

10. 1821: Gold standard coins.

The [gold standard](#) refers to a monetary system in which the value of a nation's currency is directly related to the value of gold. The fixed price of gold, then, is used to determine a currency's value. England officially adopted the gold standard in 1821, and over the next 80 years the majority of developed nations eventually followed.

The outbreak of World War I marked the beginning of the end for the gold standard due to international instability. England stopped using the gold standard in 1931, and the U.S. followed in 1933.

11. 1890s: Checks and Credit.

There are a lot of instances of something like a check being used [as far back](#) as Roman times, but checks and credit became widespread as we know them in the United States in the 1890s. By the 1950s, Americans were writing 28 million checks per day.

12. 1946: Credit cards.

[Credit cards](#) today allow cardholders to carry a monthly balance forward for an added finance charge.

The first appearance of credit cards, in the mid-20th century, was from banker John Biggins, who [introduced the Charg-It card](#). His bank became the middle man that reimbursed merchants and obtained payment from customers (this is called a "closed-loop system").

In 1950, Diners Club released the first widely used card, which was primarily for travel and entertainment purposes. American Express introduced the first plastic card in 1959, replacing cardboard and celluloid.

13. 1960s-1990s: Electronic Data Interchange.

Here is where the history of ecommerce specifically begins. Electronic Data Interchanges enabled the digital transfer of data, which paved the way for ecommerce businesses once the internet became more widespread in the early 1990s. The [first ecommerce transaction](#) is said to be an online sale of a Sting album in 1994.

14. 1995: Amazon and eBay.

Amazon and eBay launched their sites in the mid-nineties, changing online buying forever. These were some of the first outlets for people to buy things not physically available in a particular geographic area. For example, [brick-and-mortar](#) bookstores could stock only around 200,000 titles, whereas Amazon could offer exponentially more.

eBay's online auction format was one of the first marketplaces launched to facilitate peer-to-peer selling, or consumer-to-consumer (C2C) commerce.

15. 2000s: Ecommerce growth.

By 1999, the Census [began requesting](#) ecommerce data as part of the overall economic picture. Most major stores had launched ecommerce shops and [small businesses](#) were beginning to develop their own. The evolution of online payments, like the launch of [PayPal](#) in 1998, helped rocket ecommerce's popularity.

The number of [people shopping online](#) went from 13% in 2000 to 21% in 2001.

Amazon then launched its first mobile commerce site in 2001 and introduced Amazon Prime in 2005.

16. Late 2000s: Easier-to-build online stores.

BigCommerce, Shopify, and other [top ecommerce platforms](#) began to make online business transactions easier than ever. To compete with Amazon's marketplace, ecommerce merchants have to build a memorable brand experience to differentiate themselves.

17. Present Day: More options than ever.

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Today, consumers can buy just about anything, from just about anywhere — across the globe — and get it shipped to your front door through a simple online transaction. These transactions can even be conducted through various [social media](#) platforms.

And the popularity of shopping via a mobile device is growing fast.

In 2018, U.S. mobile retail commerce [revenue reached](#) over \$207 billion.

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The Future of Commerce

Commerce today keeps evolving, taking advantage of similarly quick advances in technology that support new ways of buying and selling, and make it easier than ever for merchants to connect with customers via an online store. Here are some of the trends that are guiding the future of commerce.

1. Cryptocurrency and blockchain.

Cryptocurrency is “a [digital money](#), created from code” or “an encrypted string of [data](#) or a hash, encoded to signify one unit of currency.” It’s the first decentralized currency not controlled by a particular organization or government, and is instead monitored by a peer-to-peer internet protocol.

[Blockchain](#) technology prevents counterfeiting and sends reversing payments. Third party services like OKEx help create and maintain users’ bitcoin wallets, while [easily converting BTC to INR](#), USD or other fiat currency. Many ecommerce platforms, including BigCommerce, [Shopify](#), and WooCommerce, offer integrations that allow [payment with cryptocurrency](#).

2. Personalization.

Today, the market is full of opportunities to provide personalized service for every customer, no matter how difficult their needs are. This personalization is only going to increase in the future. 80% of shoppers say that they [prefer to purchase](#) from merchants who offer personalized online experiences.

3. Automation.

Goods and services have progressively gotten more and more automated. This allows [ecommerce shops](#) to automate rote tasks and spend more time devoted to the high level activities that help grow their business.

4. Faster everything.

[Amazon](#) has made 2-day delivery a standard. Improving web technologies has made shopping easier than ever, even from a mobile device, with faster page load times and easy payment options. Speed isn’t just an advantage anymore — it’s becoming table stakes.

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Conclusion

Commerce is ingrained in the human experience, but it's come a long way from the trading of cattle more than 10,000 years ago.

From the development of currencies, to new shopping and payment technologies, to today — the in-person market experience has gone digital.

As the share of ecommerce shopping increases, merchants must be aware of new and fast-changing technologies in the areas of payments, [personalization](#), automation, and speed. But it can also be enlightening to understand the evolution of commerce over the course of at least 12,000 years — all the factors that shaped it and, vice versa, the way it has shaped the world.

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