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An Overview of E-Commerce: Its Scope, Benefits, Importance and Problems

Ritu Narwal

Assistant professor
Govt. College for Women
Karnal- 132001

Abstract: *Electronic Commerce (E-Commerce) has made a great impact on Society. People can now shop online in their own homes or offices without ever having to leave. This can enforce larger brick and mortar retailers to open an online store. It changes the way people look at making purchases and spending money. E-Commerce has also changed the face of retail, services, and other things. Unquestionably, it will continue to influence how companies sell and market their products, as well as how people choose to make purchases for many years to come. E-commerce has the ability to eliminate the time span between ordering, delivery invoicing and payment by using the World Wide Web. It offers benefits to both merchant and customer. The merchant can create a global presence, thus generating more prospective business, reducing costs, increasing competition, and allowing the ability to customize products. The customer benefits through increased choice that encourages better morals of service, price discounts and a more tailored service. E-commerce has impacts on our economic and social life as it has the potential to fundamentally transform the way commercial transactions, the business of government, the delivery of services and a host of other interactions are conducted, raising issues at the heart of policies directed at the regulation of traditional practices and procedures. E-commerce is sometimes also categorized under four main areas of activity: business-to-business (“B2B”), business-to- government (“B2G”), business-to-consumer (“B2C”) and consumer-to-consumer (“C2C”).*

Keywords: *e-commerce, electronic commerce, online shopping*

1. INTRODUCTION

E-commerce means anything that involves an online transaction. E-commerce provides us multiple benefit in form of availability of goods at lower cost, wider choices and saves time. The general category of e-commerce can be broken down into two parts: E-merchandise and E-finance.

E-merchandise: E-merchandise means selling goods and services electronically and moving items through distribution channels. for example through Internet shopping for groceries, music, clothes, hardware, tickets, travel, flowers, books or gifts.

E-finance: E-Finance means banking, debit cards, banking machines, telephone, smart cards and Internet banking, insurance, mortgages and financial services on-line [2].

1.1 IMPORTANCE AND USES OF E-COMMERCE [1, 2]

1. Allowing the Customers: Electronic Commerce is enabling the customer to have an increasing say in what

products are made, how products are made and how services are delivered with little understanding of what is taking place inside the firm, to a faster and open process with customers having greater control.

2. Improvement of Business Transaction: An Electronic Commerce activity helps to improve the execution of business transaction over various networks.

3. Exploitation of New Business: E-Commerce highlights the generation and exploitation of new business opportunities and to use popular phrases: “do more with less” or “generate business value”.

4. Incorporating Transaction: E-Commerce also in collorates transaction management, which organizes, routes, processes and tracks transactions. It also includes consumers making electronic payments and funds transfers.

5. Increasing of Revenue: The transaction management aspect of electronic commerce can also enable firms to reduce operating costs by enabling better coordination in the sales, production and distribution processes and to consolidate operations and reduce overhead.

6. Effective Performance: Electronic Commerce leads to more effective performance i.e. better quality, greater customer satisfaction and better corporate decision making.

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7. *Greater Economic Efficiency:* We may achieve greater economic efficiency (lower cost) and more rapid exchange (high speed, accelerated, or real-time interaction) with the help of E-Commerce.

8. *Execution of Information:* It enables the execution of information-laden transactions between two or more parties using inter connected networks. Information based transactions are creating new ways of doing business and even new types of business.

9. *Reduction of Friction:* Electronic Commerce research and its associated implementations is to reduce the "friction" in on line transactions frictions is often described in economics as transaction cost. It can arise from inefficient market structures and inefficient combinations of the technological activities required to make a transaction. Ultimately, the reduction of friction in online commerce will enable smoother transaction between buyers, intermediaries and sellers.

10. *Facilitating of Network Form:* It simplifies the network form of organization where small flexible firms rely on other partner, companies for component supplies and product distribution to meet changing customer demand more effectively.

11. *Simplifying for Organizational Model:* It is a control organization to the information based organization. The emerging forms of techno-organizational structure involve changes in managerial responsibilities, communication and information flows and work group structures.

IMPACTS of E-Commerce on DIRECT MARKETING [7]:

1. *Customer service:* Customer service can be greatly enhanced by enabling customers to find detailed information online. Also, intelligent agents can answer standard e-mail questions in seconds and human experts' services can be expedited using help-desk software.

2. *New sales channel:* E-commerce creates a new distribution channel for existing products. It facilitates direct reach of customers and the bi-directional nature of communication.

3. *Corporate image:* On the Web, newcomers can establish corporate images very quickly. Corporate image means trust, which is necessary for direct sales. Traditional companies such as Intel, Disney, Dell, and Cisco use their Web activities to affirm their corporate identity and brand image.

4. *Reduced cycle time:* The delivery of digitized products and services can be reduced to seconds. Also, the administrative work related to physical delivery, especially across international borders, can be reduced significantly, cutting the cycle time by more than 90 percent.

5. *Product promotion:* E-commerce enhances promotion of products and services through direct, information-rich, and interactive contact with customers.

6. *Direct savings:* The cost of delivering information to customers over the Internet results in substantial savings to senders when compared with non-electronic delivery. Major savings are also realized in delivering digitized products versus physical delivery.

1.3 IMPACTS OF E-COMMERCE ON OTHER MARKETING [7]

1. *Markets:* The physical market disappears as does the need to deliver the goods to the marketplace. In a market space, which is an electronic market, goods are delivered directly to buyers when purchasing is completed making markets much more efficient. For those products that are digitally based-software, music and information-the changes will be dramatic. Already, small but powerful software packages are delivered over the Internet. This fundamentally affects packaging and greatly reduces the need for historical distribution. New selling models such as shareware, freeware are emerging to maximize the potential of the Internet. New forms of marketing will also emerge, such as Web-based advertising, linked advertising, direct e-mail, and an increased emphasis on relationship marketing. Customer's convenience is greatly enhanced, availability of products and services is much greater and cheaper products are offered. All these provide EC with a competitive advantage over the traditional direct sales methods. Some people predict the "fall of the shopping malls," and many retail stores and brokers of services are labeled by some as "soon to be endangered species."

2. *Advertisement:* With direct marketing and customization comes as one-to-one or direct advertisement, which is much more effective than mass advertisement. This creates a fundamental change in the manner in which advertisement is conducted not only for online trades but also for products and services that are ordered in traditional ways.

3. *Ordering System:* Taking orders from customers can drastically be improved if it is done online. When taken electronically, orders can be quickly routed to the appropriate order-processing site. This saves time and reduces expenses. So sales -people have more time to sell. Also, customers can compute the cost of their orders, saving time for all parties involved.

4. *Customization:* E-commerce provides for customization of products and services, in contrast to buying in a store or ordering from a television, which is usually limited to standard products. Dell Computers Inc. is a success story of customization. Today, we can configure not only computers but also cars, jewelry, gifts, and hundreds of other products and services. If properly done, one can achieve mass customization. It provides a competitive advantage as well as increases the overall demand for

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certain products and services.

1.4 IMPACTS of E-Commerce on ORGANIZATIONS [7]

1. Technology and Organizational Learning: Quick progress in E-Commerce will force companies to adapt quickly to the new technology and offer them an opportunity to experiment with new products, services, and processes. New technologies require new organizational approaches. For instance, the structure of the organizational unit dealing with E-Commerce might have to be different from the conventional sales and marketing departments. To be more flexible and responsive to the market, new processes must be put in place. This type of corporate change must be planned and managed.

2. Changing Nature of Work: The nature of work and employment will be transformed in the Digital Age; it is already happening before our eyes. Driven by increased competition in the global marketplace, firms are reducing the number of employees down to a core of essential staff and outsourcing whatever work they can to countries where wages are significantly less expensive. The upheaval brought on by these changes is creating new opportunities and new risks and forcing us into new ways of thinking about jobs, careers, and salaries. The Digital Age workers will have to become very flexible. Few of them will have truly secure jobs in the traditional sense, and all of them will have to be willing and able to constantly learn, adapt, make decisions, and stand by them.

3. New product capabilities: E-commerce allows for new products to be created and existing products to be customized in innovative ways. Such changes may redefine organizations' missions and the manner in which they operate. E-Commerce also allows suppliers to gather personalized data on customers. Building customer profiles as well as collecting data on certain groups of customers, can be used as a source of information for improving products or designing new ones. Mass customization, as described earlier, enables manufacturers to create specific products for each customer, based on his or her exact needs. For example, Motorola gathers customer needs for a pager or a cellular phone, transmits them electronically to the manufacturing plant where they are manufactured, along with the customer's specifications and then sends the product to the customer within a day.

1.5 IMPACTS of E-Commerce on MANUFACTURING [7]

E-Commerce is changing manufacturing systems from mass production to demand-driven and possibly customized, just-in-time manufacturing. Furthermore, the production systems are integrated with finance, marketing, and other functional systems, as well as with business partners and customers. Using Web-based ERP systems, orders that are taken from customers can be directed to designers and to the production floor, within seconds.

Production cycle time is cut by 50 percent or more in many cases, especially when production is done in a different country from where the designers and engineers are located. Companies like IBM, General Motors, are assembling products for which the components are manufactured in many locations. Sub-assemblers gather materials and parts from their vendors, and they may use one or more tiers of manufacturers. Communication, collaboration, and coordination become critical in such multitier systems. Using electronic bidding, assemblers get sub-assemblies 15 percent to 20 percent cheaper than before and 80 percent faster.

1.6 IMPACTS of E-Commerce ON FINANCE [7]

E-commerce requires special finance and accounting systems. Traditional payment systems are ineffective or inefficient for electronic trade. The use of the new payment systems such as electronic cash is complicated because it involves legal issues and agreements on international standards. Nevertheless, electronic cash is certain to come soon and it will change the manner in which payments are being made. In many ways, electronic cash, which can be backed by currency or other assets, represents the biggest revolution in currency since gold replaced cowry shells. Its diversity and pluralism is perfectly suited to the Internet. It could change consumers' financial lives and shake the foundations of financial systems and even governments.

2. RELATED WORKS

Z. Ntozintle jobodwana [3] states that E-commerce refers to all forms of commercial transactions that involve individuals and organizations based on the electronic processing of data. Mobile commerce (M-commerce) is the buying and selling of goods and services using mobile telephones or personal digital assistants (PDA). M-commerce is emerging in Africa and South Africa especially as either a complement or an alternative to e-commerce as originally conceived, though there are arguments that mobile telephone technology "m-commerce" will surpass "e-commerce" as the method of choice for digital commerce transactions. This paper identifies the challenges in adopting e-commerce/m-commerce practices for economic development and competition in international trade. The liberalisation of the telecommunications sector on which e-commerce and m-commerce practices depend is being given priority by the majority of African governments. Despite advances in e-commerce and m-commerce practices in Africa, the growth of e-commerce and m-commerce has been slow. Impediments include low levels of internet penetration and limited communication infrastructure. To meet this problem, the UN adopted through the UN Commission on International Trade (UNCITRAL), Model Law on E-Commerce to help in the harmonisation of e-commerce/m-commerce related laws. Challenges are identified and recommendation made on how to improve the regulatory framework and create an environment conducive to investment and economic development. It has been argued

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that e-commerce is useful to both producers and consumers in Africa as it helps countries overcome the traditional barriers of distance from markets and lack of information about market opportunities. Producers and traders no longer need to maintain physical establishments requiring large capital outlays. Virtual shops and contact points on the internet may enable storage close to the production site and distribution can be made directly to the consumer. Increased advertising possibilities world-wide may help small and medium industries and businesses in Africa that traditionally find it difficult to reach customers abroad. Ecommerce may also enable such firms to eliminate middlemen while trying to sell their products abroad. M-commerce is now punted as a business practice that will surpass e-commerce in Africa as a method of choice for digital commerce transactions. It is the buying and selling of goods and services through wireless handheld devices such as cell phones and personal digital assistants (PDAs). Known as next-generation ecommerce, m-commerce enables users to access the internet without needing a place to plug in. It is said to be everything that e-commerce is or even more. Both e-commerce and m-commerce can only operate effectively if the physical telecommunication infrastructure in Africa is improved and the regulatory framework standardized and developed so as to attract foreign direct investment. A well-functioning and modern telecom infrastructure, satisfactory supply of electricity and access to hardware, software and servers are basic requirements fore-commerce. Widespread access to telecommunications at low prices and availability of telecom equipment at international prices can enhance the capacity of countries to participate in e-commerce.

Mahmoud Al-dalameh [4] states that there is a need in the literature for an application of the well-known social cognitive theory in the area of e-commerce. Hence, this paper develops and models a theoretical framework to study the impact of psychological factors based on the social cognitive theory on the intention to use e-commerce. More specifically, the paper examines the role of individual's beliefs about their abilities towards the intention to use e-commerce technology (e-commerce self-efficacy). A conceptual model, based on Bandura's social cognitive theory, was developed to test the personnel innovation in information systems, e-commerce self-efficacy, outcome expectations, trait anxiety, e-commerce anxiety, and consumer trust on the customers intentions to shop online. Thus, the model developed can be applied to enhance the research in the area of e-commerce and can be used in different areas of e-commerce. Future studies can be employed in testing the model via using exploratory survey analysis to provide further support for the social cognitive theory and its application in the area of e-commerce. A complete research model derived from social cognitive theory which contains constructs such as general self-efficacy, ecommerce self-efficacy, outcome expectation, consumer trust and other constructs that were taken from information and computer systems were included into the developed model. The model includes as

well the concept of risk aversion which is originated from the marketing research area as the author believe it is very important to consider individuals' Anxiety of new Technology and its effect on customer risk aversion. Thus, the model developed can further enhance their search in the area of e-commerce and can be applied in different areas of e-commerce. Future studies will be employed in testing the model via using exploratory survey analysis to fill the gap in the literature on the application of social cognitive theory in the area of e-commerce.

Chad Lin et. Al. [5] states that For the health care industry, the adoption and implementation of business-to-business (B2B) electronic commerce (e-commerce) system scan lead to many benefits, such as an increased accessibility to providers, reduction in supply chain and inventory costs, and reduced medical errors. However, despite high expectations for realizing the benefits of B2Be-commerce in health care, its adoption remains poorly understood and is a relatively under-researched area. Although B2B e-commerce provides these organizations a wealth of new opportunities and ways of doing business, it also presents a series of challenges. Hence, the case study approach was utilized (1) to identify B2B e-commerce adoption and implementation critical constraint-minimization factors for organizations within the health care industry; and (2) to develop a framework to manage these critical constraint-minimization factors. A key contribution of the paper is to propose a framework in which critical constraint-minimization factors faced by health care organizations undertaking B2B e-commerce activities can be identified, examined, and managed.

E. JOSEPHINE MARY [6] this paper, after briefly presenting the current E-commerce situation in India, analyses the performance and problems of E-commerce in India. Electronic commerce, commonly known as e-commerce, e-commerce consists of the buying and selling of products or services over electronic systems such as the Internet and other computer networks. It is more than just buying and selling products online. It also includes the entire online process of developing, marketing, selling, delivering, servicing and paying for products and services. E-commerce types represent a range of various schemas of transactions which are distinguished according to their participants such as Business- to-Business (B2B), Business-to-Consumer (B2C), Business-to-Employee (B2E),and Business-to-Government (B2G) and so on. India is showing tremendous growth in the Ecommerce. India has an internet user base of over 100 million users. The penetration of e-commerce is low compared to markets like the US and the UK but is growing at a much faster rate with a large number of new entrants. India is yet to witness a breakthrough Ecommerce success story particularly in online retail. E-commerce creates new opportunities for business; it also creates new opportunities for education and academics line. This paper is outcome of a review of various research studies carried out on E-commerce. This paper examines different opportunities of e-commerce viz.,

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E-Business, E-learning, E-commerce education integration, E-insurance, E-commerce for the WTO and developing countries and future media of e-commerce. It raises key challenges that are being faced by consumers relating to e-commerce viz., Ethical issues, Perceptions of risk in e-service encounters, challenges for e-commerce education and legal system. Finally many companies, organizations, and communities in India are beginning to take advantage of the potential of e-commerce; critical challenges remain to be overcome before e-commerce would become an asset for common people.

3. SCOPE OF E-COMMERCE IN INDIA [6]

Electronic commerce or e-commerce encompasses all business conducted by means of computer networks. Advances in telecommunications and computer technologies in recent years have made computer networks an integral part of the economic infrastructure. More and more companies are facilitating transactions over web. E-commerce provides multiple benefits to the consumers in form of availability of goods at lower cost, wider choice and saves time. People can buy goods with a click of mouse button without moving out of their house or office. Similarly online services such as banking, ticketing including airlines, bus, railways, bill payments, hotel booking etc. have been of tremendous benefit for the customers. Most experts believe that overall e-commerce will increase exponentially in coming years. Business to business transactions will represent the largest revenue but online retailing will also enjoy a drastic growth. Online businesses like financial services, travel, entertainment, and groceries are all likely to grow. India is showing tremendous growth in the Ecommerce. Rival tradeindia.com has registered 700,000 buyers and it has the growth rate of 35 per cent every year which is likely to double in the year 2010. Indiamart.com claims revenues of Rs. 38 crores and has a growing rate of 50 every year. It receives around 500,000 enquiries per month. Undoubtedly, with the middle class of 288 million people, online shopping shows unlimited potential in India. The real estate costs are touching the sky. The travel portals' share in the online business contributed to 50 per cent of Rs. 4800 crore online market in 2007-08. The travel portal MakeMyTrip.com has attained Rs. 1000 crores of turnovers which are around 20 per cent of total ecommerce market in India. Further an annual growth of 65 per cent has been anticipated annually in the travel portals alone.

4. FACILITATORS OF E-COMMERCE IN INDIA [6]

1. Information directories: The products and services are listed with appropriate sub-headings to make it easy for a serious information-seeker to find what he wants. Allied services provided by them: Message boards, chat rooms, forums, etc.

2. Banks: Net banking/phone banking - This is an online banking facility available for savings account holders as well as current account holders. Some of the special Net

banking services are: Demit accounts for sale/purchase of stocks and shares, Foreign Exchange services, Direct/Instant payment of bills on the account-holder's behalf, Financial Planning & advice, Electronic Funds Transfer, Loans to account holders. Credit / Debit Cards - Banks facilitate E-commerce by providing the most vital trade instrument, namely the Credit or Debit Card, without which E-commerce would be impossible.

5. PROBLEMS OF E-COMMERCE [6]

- i) Credit Card security is a serious issue if vulnerable
- ii) Costs involved with bandwidth and other computer and server costs
- iii) Extensive database and technical knowledge and experience required
- iv) Customer apprehension about online Credit Card orders
- v) Constantly changing technology may leave slow businesses behind
- vi) Some customers need instant gratification, and shipment times interrupt that
- vii) 24-hour store visibility to anyone with an Internet connection
- viii) Search utilities far surpasses the speed used to find products through catalogs
- ix) Encourages competition between small and large online retailers

6. CONCLUSION

E-commerce is still in its formative stage. The business-to-business and intra-organizational segments currently dominate e-commerce. E-commerce will present over time countless opportunities and challenges to our economies and societies. Expansion of commerce and technological innovations are two of the levers of economic growth. These forces are combined in the progress of E-commerce. The macroeconomics effects of E-commerce on the national and regional economies and on the international trade and its terms will need to be assessed and analyzed. E-commerce development is to allow free-market forces to assert themselves unhampered by excessive government regulation. The traditional institutions, such as banks of issue, commercial banks, universities, established business intermediaries, media and publishing companies, would find a need to redefine their roles in the new environment. The Impacts of electronic commerce on business are improving productivity, cost savings, better customer service and opportunity for new business. E-commerce technology is being used to overcome the traditional boundaries of time and space, even to create new types of businesses. As E-commerce technology evolves through new products and standards, companies will find ways to reach out further to their customers and suppliers.

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