

LESSON 5.

E - COMMERCE

E-commerce is the most recent step in the evolution of business transactions. *Derek Slater*



The availability of Internet has led to the development of E-commerce which is becoming very popular these days. Most of the people think that E Commerce is just purchasing something on the Internet but this is a misconception.

E-commerce has been a part of global economic growth in one way or another. Even though e-commerce has been around for years, it is a very broad term to define.

The term "electronic commerce" has evolved from its inadequate notion of electronic shopping to mean all aspects of business and market processes enabled by the Internet and the World Wide Web technologies.

What is E-Commerce?

Electronic Commerce (e-Commerce) is a general concept covering any form of business transaction or information exchange executed using information and communication technologies (ICTs). E-Commerce takes place between companies,



between companies and their customers, or between companies and public administrations. Electronic Commerce includes electronic trading of goods, services and electronic material.

The best definitions view **EC** as a strategy to support the total delivery of products and services to the customer, rather than just another set of tools and technologies.

EC offers fundamentally new ways of doing business, rather than mere extensions of existing practices. It is, in the end, the strategic deployment of computer-mediated business tools and information technologies to satisfy business objectives.

Laudon and Laudon, authors of *Essentials of Management Information Systems* define E-commerce as “The process of buying and selling goods and services electronically involving transactions using the Internet, networks, and other digital technologies.”

Electronic commerce is a means of enabling and supporting such changes on a global scale. It enables companies to be more efficient and flexible in their internal operations, to work more closely with their suppliers, and to be more responsive to the needs and expectations of their customers. It allows companies to select the best suppliers regardless of their geographical location and to sell to a global market.

It is the fastest growing segment of our economy. It allows even the smallest business to reach a global audience with its product or message with minimal cost. It includes commercial transactions on the Internet but their scope is much wider than this.

THE SCOPE OF ELECTRONIC COMMERCE

"Ecommerce services are the silver bullet that will enable companies to take advantage of the true business opportunities on the Web."

Traci Gere, Analyst, The New York Times

Electronic Commerce (e-Commerce) is a term popularized by the advent of commercial services on the Internet. Internet e- Commerce is however, only one part of the overall sphere of e-Commerce. The commercial use of the Internet is perhaps typified by once-off sales to consumers.

Other types of transactions use other technologies. **Electronic Markets (EMs)** are in use in a number of trade segments with an emphasis on search facilities and **Electronic Data Interchange (EDI)** is used for regular and standardized transactions between organizations.

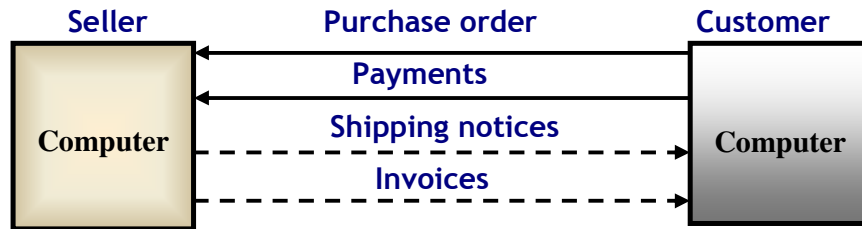
❖ **Electronic Markets**

An electronic market is the use of information and communications technology to present a range of offerings available in a market segment so that the purchaser can compare the prices (and other attributes) of the offerings and make a purchase decision. The usual example of an electronic market is an airline booking system.

❖ **Electronic Data Interchange (EDI)**

EDI provides a standardized system for coding trade transactions so that they can be communicated directly from one computer system to another without the need for printed orders and invoices and the delays and errors implicit in paper handling. EDI is used by organizations that make a large number of regular transactions. One sector where EDI is

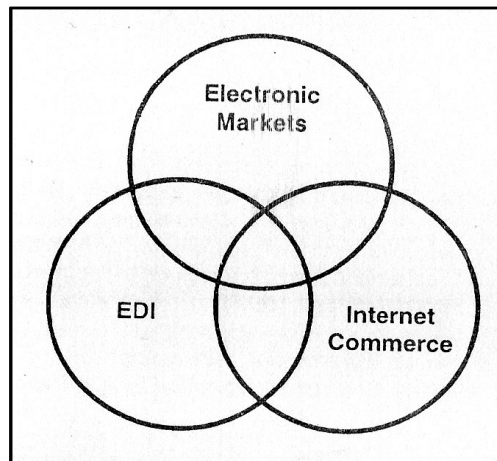
extensively used is the large supermarket chains, which use EDI for transactions with their suppliers.



Basic transactions in EDI

❖ Internet Commerce

Information and communications technologies can also be used to advertise and make once-off sales of a wide range of goods and services. This type of e-Commerce is typified by the commercial use of the Internet.



The three application types of E Commerce

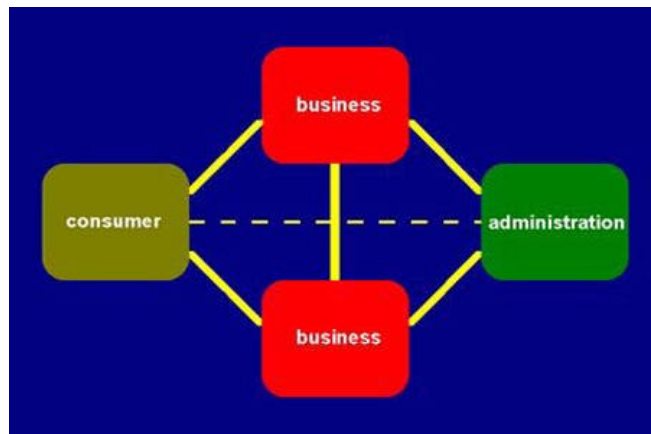
The Internet can, for example, be used for the purchase of books that are then delivered by post or the booking of tickets that can be picked up by the clients when they arrive at the event. It is to be noted

that the Internet is not the only technology used for this type of service and this is not the only use of the Internet in e-Commerce.

CATEGORIES OF ELECTRONIC COMMERCE

Electronic commerce can be sub-divided into four distinct categories as shown in the figure:

- ❖ business-business
- ❖ business-consumer
- ❖ business-administration
- ❖ consumer-administration



Categories of electronic commerce

The business-business category would be a company that uses a network for ordering from its suppliers, receiving invoices and making payments. This category of electronic commerce has been well established for several years, particularly using Electronic Data Interchange (EDI) over private or value-added networks.

The business-consumer category largely equates to electronic retailing. This category has expanded greatly with the advent of the World Wide Web. There are now shopping malls all over the Internet

offering all manner of consumer goods, from cakes and wine to computers and motor cars.

The business-administration category covers all transactions between companies and government organisations. For example, in any developed country details of forthcoming government procurements are publicised over the Internet and companies can respond electronically.

However, in the wake of a growth of both the business-consumer and business-administration categories, governments may extend electronic interaction to such areas as welfare payments and self-assessed tax returns.

Advantages and disadvantages of e-commerce

There are a number of advantages for both the consumers or customers and businesses of E-commerce.

Consumer Benefits

- ❖ Easier cost comparative shopping
- ❖ Can shop when you feel like it not just traditional store hours
- ❖ Instance access to a greater number of stores
- ❖ Time saver - do not have to run all over town looking for the hard to find item

Business Benefits

- ❖ Access to a larger market place
- ❖ Reduced overhead costs
- ❖ Just as there are, a number of benefits there are disadvantages that both consumers and businesses need to be aware of.

Consumer Disadvantages

- ❖ Increasing fraud risks
- ❖ Increased costs for shipping and handling
- ❖ Cannot see/touch the merchandise before buying
- ❖ Hard to return unwanted merchandise

Business Disadvantages:

- ❖ Not all consumers are online - missed sales opportunities
- ❖ Increased market barriers
- ❖ Truly rely on “word of month” to get business name/site out.

So, considering all the publicity with e-commerce why should any business participate? The answer is simply the future. As technology and consumer wants and needs continue to progress businesses will have to do business via the Internet if they want to remain in business.

E-commerce requires an extensive and reliable technology infrastructure. The technology includes the hardware, software and related technology underlying the business. The performance of the technology infrastructure can make or break an online business.

EXAMPLES IN ELECTRONIC COMMERCE

There are many well-established examples of electronic commerce in a wide range of industry sectors and a wide range of application areas. A few of these will illustrate the nature of current activity.

ibs (<http://www.bookshop.co.uk>)

The Internet Bookshop exists only as a site on the World Wide Web - it has no physical outlets. The shop specialises in technical books and currently offers more than 780000 titles. Customers visiting **ibs** can browse, search using keywords, and obtain detailed information on individual titles, including a descriptive text, bibliographic information, contents list, reviews, and suggested readership. They can order and pay for books, which are then delivered through publishers' established international delivery channels.

Virtual Vineyards (<http://www.virtualvin.com>)

Like **ibs**, **Virtual Vineyards** exists only as a site on the Web. It offers wines and gourmet foods, providing an outlet for a number of small Californian wine producers. There is detailed on-line information on the various wines and foods, and also an on-line query service (using e-mail). Customers can order and pay using either credit cards or electronic cash.

Barclays Bank (<http://www.barclays.co.uk>)

Many banks have offered on-line querying of accounts for some time. Following relaxation of controls on the export of security technologies from the USA, Barclays has extended this to a large scale trial offering customers' full banking services from their home computers.

The term "electronic commerce", or "e-Commerce" and eCommerce", is used to describe doing business over the Internet. It has been described as the new economic paradigm and a direct, real-time, producer to consumer virtual marketplace that will dominate the national and global economies.

Electronic Commerce is a general concept covering any form of business transaction or information exchange executed using information and communication technologies (ICTs).

An electronic market is the use of information and communications technology to present a range of offerings available in a market segment so that the purchaser can compare the prices (and other attributes) of the offerings and make a purchase decision.

Information and communications technologies can also be used to advertise and make once-off sales of a wide range of goods and services.

***** Answer the following questions according to what you have read.**

1. What is E-commerce?

2. What are the categories of e-commerce?

3. What are the benefits and disadvantages of e-commerce for most businesses?

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Content research and adaptation: Prof. Marina Meza