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Electronic Commerce

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ABSTRACT: Electronic commerce is not a dream or a distant reality. It has started to affect in a fundamental and qualitative fashion the ways in which enterprises and countries produce, trade and compete. Even in countries with poor infrastructure and access to information technology, evidence exists that dynamic enterprises and governments have started to take advantage of the possibilities offered by ecommerce. Electronic commerce is just one of the many ways in which computers and the Internet have changed many aspects of our daily lives. Computers and communication networks have allowed for the astronomical increase in electronic commerce and also the number of electronic business supplying products and services. Electronic commerce benefits both companies and consumers by creating more opportunities for the company, and lower prices for the consumer. E-commerce already plays an important part in economic activity and its relevance will continue to grow. According to our estimates, the share of value added that potentially lends itself to electronic trade represents. Three quarters of this is attributed to distribution, finance and business services.

I. INTRODUCTION

Electronic commerce is just one of the many ways in which computers and the Internet have changed many aspects of our daily lives. Computers and communication networks have allowed for the astronomical increase in electronic commerce and also the number of electronic business supplying products and services. Electronic commerce benefits both companies and consumers by creating more opportunities for the company, and lower prices for the consumer. E-commerce already plays an important part in economic activity and its relevance will continue to grow. According to our estimates, the share of value added that potentially lends itself to electronic trade represents. Three quarters of this is attributed to distribution, finance and business services.

Although electronic provision will primarily affect service sectors, it will also play an important role in certain manufacturing sectors such as the pharmaceutical, telecom and clothing industries. Most probably, e-commerce will entail productivity gains and price reductions in these sectors. Overall electronic commerce does not appear fundamentally different to traditional trading. Where differences do occur is in the manner in which activities are undertaken. This appears to present new ethical challenges. Many activities in traditional shopping can occur without consumer identity being divulged.

E-Commerce

According to wikipedia website, E-Commerce is exactly analogous to a marketplace on the Internet. **Electronic Commerce** (also referred to as **EC**, **e-commerce** **eCommerce** or **ecommerce**) consists primarily of the distributing, buying, selling, marketing and servicing of products or services over electronic systems such as the Internet and other computer networks.

International Electronic Commerce

There is no widely accepted, specific definition for international electronic commerce. Nevertheless, several government and private-sector entities have developed functional definitions of electronic commerce so that they can collect useful statistics. These efforts have led to a general acceptance of transaction-based definitions, many of which require an on-line commitment to sell a good or service for an activity to be categorized as electronic commerce. In a transaction-based definition, electronic commerce is restricted to buying and selling, as distinct from conducting E-business. E-business includes all aspects of on-line business activity—purchasing, selling, tracking inventory, managing production, handling logistics, and supplying communications and support services.

Benefits of Electronic Commerce

The successful application of electronic commerce eliminates costs associated with mail preparation and handling by all parties. In addition, mail delays are eliminated and redundant data entry and potential errors are reduced. Electronic commerce also shortens the cycle time, improves customer service, reduces inventory levels and enhances overall operating efficiency

Benefits to sellers

- Cheap global marketing for products using the means of multimedia.
- The potential for virtual corporations without real stores.
- Relatively small investments make the markets easily penetrable by so called micro corporations.
- Catalogs and other available information can be kept up to date.
- Customer service can be enhanced with email. Easy and responsive communication won't require as many clerks.
- Commerce can be fast and easy and will not be tied to time or place.

Benefits to buyers

All of the advantages the seller has are also advantages to the buyer. A lighter sales channel can lower prices at the same time it raises the quality of customer service.

- Purchases can be made anywhere with a computer and a network connection.
- The sellers can modify their supply faster to real demand due to easier feedback from the customers through email.
- The roles of the manufacturers and sellers can be redistributed. Support will come from a party that is most capable of doing it. A network-savvy manufacturer will probably support customers directly. An advanced retailer might on the other hand purchase the support from a third party.
- Communication through Usenet News and mailing lists has already created an independent source of information on products from other users.

Benefits to other parties

- Manufacturers want to have their goods on sale at as many points of sale as possible.
- Distributors may think of the new marketplace as a way to differentiate their services from those of their competitors.
- Banks feel that the new methods will increase the amount of financial transactions and the need for financing.
- Computer and software industry will have another field to sell their products and services

Advantages of Electronic Commerce

- Electronic commerce can increase sales and decrease costs
- If advertising is done well on the Web, it can get a firm's promotional message out to potential customers in every country
- Using e-commerce sales support and order-taking processes, a business can
- Reduce costs of handling sales inquiries
- Provide price quotes. It increases purchasing opportunities for buyers
- Negotiating price and delivery terms is easier
- The following cost less to issue and arrive securely and quickly
- Electronic payments of tax refund Public retirement Welfare support

Disadvantages of Electronic Commerce

- Perishable grocery products are much harder to sell online
- It is difficult to calculate return-on-investment Integrate existing databases and transaction-processing software into software that enables e-commerce Cultural and legal obstacles also exist.

II. TYPES OF ELECTRONIC COMMERCE**Inter-organizational Electronic Commerce**

From the inter-organizational perspective, electronic commerce facilitates the following business applications:

Supplier management Electronic applications help companies reduce the number of suppliers and facilitate business partnerships by reducing purchase order (PO) processing costs and cycle times, and by increasing the number of POs processed with fewer people.

Inventory management Electronic applications shorten the order-ship bill Cycle: If the majority of a business's partners are electronically linked, information once sent by fax or mail can now be instantly transmitted.

Businesses can also track their documents to ensure that they were received, thereby improving auditing capabilities. This also helps to reduce inventory levels, improve inventory turns, and eliminate out-of-stock occurrences.

Distribution management Electronic applications facilitate the transmission of shipping documents such as bills of lading, purchase orders, advanced ship notices, and manifest claims, and enable better resource management by ensuring that the documents themselves contain more accurate data.

Channel management. Electronic applications quickly disseminate information about changing operational conditions to trading partners.

Technical, product, and pricing information that once required repeated telephone calls and countless labor hours can now be posted to electronic bulletin boards. By electronically linking production-related information with international distributor and reseller networks, companies can eliminate thousands of labor hours and ensure accurate information sharing.

Consumer-to-Business Electronic Commerce

In electronically facilitated consumer-to-business transactions, customers learn about products through electronic publishing, buy products with electronic cash and other secure payment systems, and even have information goods delivered over the network. From the consumer's perspective, electronic commerce facilitates the following economic transactions:

- Social interaction Electronic applications enable consumers to communicate with each other through electronic mail, videoconferencing, and news groups.
- Personal finance management. Electronic applications like Quicken enable consumers to manage investments and personal finances using online banking tools.

III. E-COMMERCE STYLES

The companies that conduct their transactions on the Internet may exhibit quite different implementation structures. Depending on their lineage, companies that embrace e-commerce may be classified as:

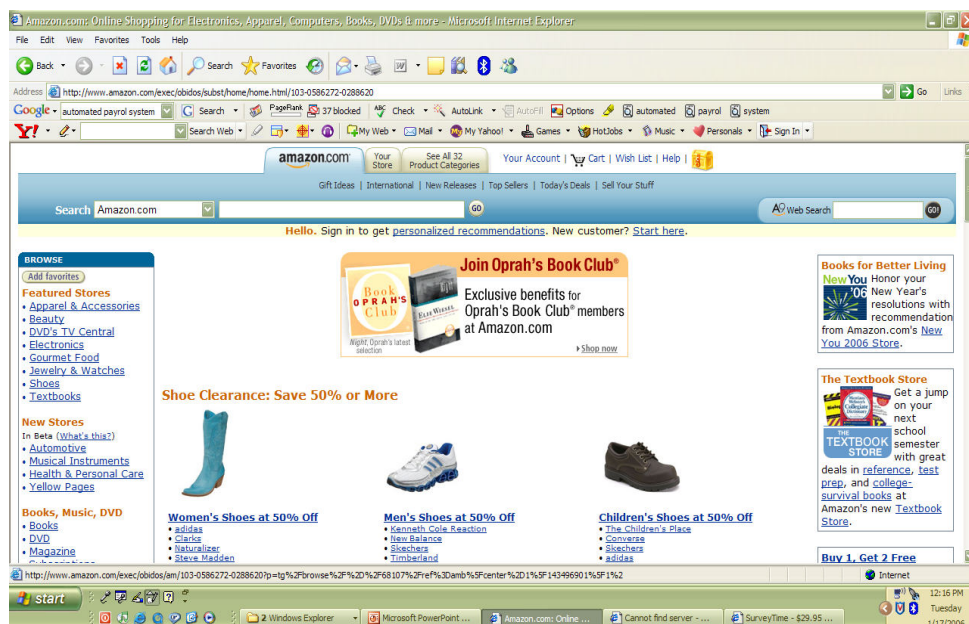
- A pure e-commerce company. Such a company has only one transaction objective: to provide products and/or services through the Internet. Typically, such a company is created specifically for the purpose of doing business online. Therefore, it has a "virtual store-front" on the Internet, rather than a physical retail location. For such a company, the entire business

And transaction architecture is planned around the Internet in order to deliver products and/or services. A traditional brick and mortar company that decides to expand to the online market In this case, the company already has an established market and a customer base. The Internet is simply a new sales channel. Such a company almost certainly already has an information systems architecture that must be expanded to be integrated with the new e-commerce initiative. Regardless of the company's lineage, e-commerce transactions can be grouped according to who the sellers and the buyers are. Using this distinction, we can classify the principal e-commerce styles as:

- Business to Business (B2B): electronic commerce between businesses.



- Business to Consumer (B2C): electronic commerce between business and consumers.
- Online Shopping Cart
- Online Banking
- Electronic bill presentment



- Intra-Business: internal electronic commerce activities, most of which involve interactions between employers and their employees.

IV. BASIC FUNCTION OF ELECTRONIC-COMMERCE SYSTEMS

Electronic commerce is coming retail on-line buying will be in the billions of dollars in 1998. Electronic sales in recent quarter are double those of the entire previous year. In some instances companies create electronic-commerce capabilities out of a fear of falling behind competitors or as a result of the general momentum to expand the use of an existing Internet presence. But the primary value proposition is the prospect of increased revenue from new markets and creation of new lower-cost electronic-distribution channels.

Internet service providers ISPs are beginning to launch or are at least evaluating electronic-commerce hosting services. These services position the service provider as the outsourcer of the customers' electronic-commerce capabilities managing the networking and server aspects of the initiative. This allows the ISP's customers to concentrate on their core businesses and expands the relationship of the customer and the ISP. An ISP's ability to offer a rich electronic-commerce environment on its own or in partnership with an electronic-business provider will be important in differentiating high-value ISPs from lower-value access-only ISPs.

Customer's Perspective

From a customer's perspective the purpose of an electronic-commerce system is to enable that customer to locate and purchase a desired good or service over the Internet when the customer is interested in making the purchase. Its function is no more or less than providing a virtual store.

Merchant's Perspective

From a merchant's perspective the key function of an electronic-commerce system is to generate higher revenues than the merchant would achieve without the system. In order for this to happen the electronic-commerce must recreate or utilize data and business processes. All of the same processes that the merchant must have in place to support an in-store catalog purchase must also be in place for an electronic purchase: product information inventory systems, customer service, and transaction capabilities including credit authorization, tax computation, financial settlement, and shipping.

Electronic-commerce Requirements

Enterprises large or small tend to develop their web presence in stages. Once a web presence is created than the enterprise wants to use that site to enhance customer service and to product revenue. It is at the latter stage that electronic commerce comes into play.

A service provider's hosting customers will go through the same evolution describe in the preceding module. It is not enough just to pick off the high-end client who represents the highest per-client revenue there simply are not enough of them. Furthermore the future opportunity is to provide a platform that can move a client along the range from low to high-function as client sophistication and needs evolve. Many small and medium sized businesses are struggling with the high cost of entry to electronic commerce. Creating a complete on-line selling environment can require considerable time, money and technical expertise. Many businesses are stalled at the first or second of the three steps to building an effective electronic-commerce Internet presence. The three steps include the following.

1. Develop a content site for example as opposed to a database drive catalog and handle transactions off-line.
 - Advantages: Simple web sites can be developed easily and quickly at low cost
 - Disadvantages: this limits Internet function to promotion no revenue opportunity.
2. Develop an on-line catalog and handle transactions off-line.
 - Advantages: No need for sophisticated technology is involved the catalog can manage large product assortment.
 - Disadvantages Catalog building adds expense without the possibility of reducing expense through on-line transaction.
3. Develop an on-line catalog and handle transactions on-line
 - Advantages This can manage large product assortment and complete Sales at lower cost.
 - Disadvantages Catalog building is expensive and on-line Transaction management requires sophisticated technology.

The Main Instruments of Electronic Commerce

There are six main instruments of electronic commerce can be distinguished: the telephone, the fax, television, electronic payment and money transfer systems, Electronic Data Interchange and the Internet. This is a broad definition of the term “electronic commerce”; in many discussions, Electronic commerce only refers to the Internet and other network-based commerce. Nevertheless, instruments such as the telephone, fax and television are already used for commercial transactions, especially in Industrialized countries. It is not uncommon, for example, to make orders over the phone and pay for them by credit card. The emergence of new instruments such as the Internet did not, therefore, invent electronic commerce. But the Internet does open up many new possibilities: with the Internet all elements of a commercial transaction can be conducted on an interactive basis with one or many people, unconstrained by time and space, in a multimedia environment with sound, image and text transmission, and at relatively low (and still declining) costs. This makes the Internet much more versatile than other instruments of electronic commerce. The latter typically need to be combined with each other or with more traditional instruments such as mail or physical shopping, to conclude a transaction. The Internet Will, therefore, reduce barriers to communication and trade to a greater degree than established electronic and traditional means of commerce, and following the introductory discussion in this section, most of this study focuses on the Internet.

The importance of electronic commerce for economic activity

How significant might electronic commerce become in terms of overall economic activity, and which are the sectors in which the greatest impact is likely to be felt? We can assess the potential importance of Internet-based electronic commerce from different angles. We can analyse what share of value-added in an economy is likely to be directly or at least strongly affected by growing electronic commerce, and especially the Internet. A similar analysis is possible with respect to intermediate inputs and final demand. From this, we can obtain a crude picture of the overall effect of electronic commerce on the economy, and which sectors are going to be most strongly affected. Wholesale and retail trade will be affected by both the Internet as a new medium of exchange and the use of the Internet to rationalize logistics and other overhead expenses in these sectors. E-commerce will impinge upon some of the functions of wholesalers and retailers by connecting producers and consumers directly.

Economic drivers of e-commerce

The effect on the marketplace... Electronic commerce transforms the marketplace. E-commerce will change The way business is conducted: traditional intermediary functions will be replaced, new products and markets will be developed, and new and far closer relationships will be created between business and consumers. It will change the organization of work: new channels of knowledge diffusion and human interactivity in the workplace will be opened, more flexibility and adaptability will be needed, and workers’ functions and skills will be redefined.

The catalytic role... Electronic commerce has a catalytic effect. E-commerce will serve to accelerate and diffuse more widely changes that are already under way in the economy, such as the reform of regulations, the establishment of electronic links between businesses (EDI), the globalization of economic activity, and the demand for higher-skilled workers. Likewise, Many sectoral trends already under way, such as electronic banking, direct booking of travel, and one-to-one marketing, will be accelerated because of electronic commerce.

The impact on interactivity E-commerce over the Internet vastly increases interactivity in the economy. These linkages now extend down to small businesses and households and reach out to the world at large. Access will shift away from relatively expensive personal computers to cheap and easy-to-use TVs and telephones to devices yet to be invented. People will increasingly have the ability to communicate and transact business anywhere, anytime. This will have a profound impact, not the least of which will be the erosion of economic and geographic boundaries.

The Internet and E-Commerce

The convergence of computer and telecommunications technologies has Revolutionized how we get, store, retrieve, and share information. Many experts contend that this convergence has created the Information Economy, driven by the Internet, and fueled a surge in U.S. productivity and economic growth. Commercial transactions on the Internet, whether retail business-to-customer or business-to-business, are commonly called electronic commerce, or “e-commerce.”

Since the mid-1990s, commercial transactions on the Internet have grown Substantially.¹ By 1996, Internet traffic, including e-commerce, was doubling every 100 days. By mid-1997, the U.S. Department of Commerce reported that

just over 4 million people were using e-commerce; by the end of 1997, that figure had grown to over 10 million users. The rate of e-commerce growth continues so rapidly those projections often are outdated as fast as they are published. One 1998 industry estimate projected that U.S. retail transactions would reach \$7 billion by 2000 — a figure now widely accepted as having been reached in the year the report came out.

The E-Commerce Industry

Even with some concern about accuracy and timeliness of e-commerce statistics, reliable industry sources report huge jumps in e-commerce transactions, particularly during fourth quarter holiday shopping. But long-term, industry growth has not been limited to just holiday shopping. According to a study undertaken by the University of Texas, the Internet portion of the U.S. economy grew at a compounded rate of 174% from 1995-1998 (the U.S. gross domestic product grew at 2.8% during the same period), and ecommerce accounted for one-third of that growth. Increasingly, many firms use “vortals”—vertically integrated portals or gateways that advertise or provide information on a specific industry or special interest. As a portion of e-commerce business, vortals Provide targeted advertising for e-commerce transactions, and may grow from 35% of all e-commerce advertising to 57% by 2004. However, not all firms providing these services are profitable; in fact, most have yet to turn a profit.

V. CONCLUSION

Electronic commerce is not a dream or a distant reality. It has started to affect in a fundamental and qualitative fashion the ways in which enterprises and countries produce, trade and compete.

Even in countries with poor infrastructure and access to information technology, evidence exists that dynamic enterprises and governments have started to take advantage of the possibilities offered by ecommerce.

Electronic commerce may become the dominant form of trading in the future. Overall electronic commerce does not appear fundamentally different to traditional trading. Where differences do occur is in the manner.

E-Commerce is an ever-growing way to conduct business. One way business will continue to be done efficiently and accurately is each party receiving payment and goods or services in a timely manor.

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