



Unit 5

E-Commerce: Applications and Issues

Introduction to E-Commerce, Scope of E-commerce, E-Commerce Applications and Issues, case study

E-COMMERCE APPLICATION AND ISSUES

INTRODUCTION TO E-COMMERCE:

- The term Electronic commerce (or e-Commerce) refers to the use of an Electronic medium to carry out commercial transactions. Most of the time, it refers to the sale of products via Internet, but the term ecommerce also covers purchasing mechanisms via Internet (for B-To-B).
- The term e-commerce was coined back in the 1960s, with the rise of Electronic commerce – the buying and selling of goods through the transmission of data – which was made possible by the introduction of the electronic data interchange. Fast forward fifty years and e-commerce has changed the way in which society sells goods and services.
- ‘E-commerce’ and ‘online shopping’ are often used interchangeably but At its core e-commerce is much broader than this – it embodies a concept for doing business online, incorporating a multitude of different services E.g. making online payments, booking flights etc.
- The power of e-commerce should not be underestimated as it continues to pervade everyday life and present significant opportunity for small, medium and large businesses and online investors. You don’t need to look far to see the potential of e-commerce businesses.
- Amazon, for example, which set the standard for customer-orientated Websites as well as a lean supply chain, has been seen to sell in excess of 426 items per second.

BASIC EXPLANATION:

- A client who purchases on the Internet is called a cyber-consumer. E-Commerce is not only limited to online sales, but also covers: preparation of estimates online; consulting of users; provision of an electronic catalogue; access plan to point of sales; real-time management of product availability (stock); online payment; delivery tracking; and after-sales service.
- In certain cases, electronic commerce makes it possible to highly customize products, in particular when the electronic commerce site is linked with the production system of the enterprise (e.g. business cards, customized items such as T-shirts, caps, caps, etc.)
- Finally, insofar as electronic services and products are concerned (MP3 files, software programs, e-books, etc.), electronic commerce makes it possible to receive the purchase in a very short time, if not immediately.



educlash Result / Revaluation Tracker

Track the latest Mumbai University Results / Revaluation as they happen, all in one App

Visit educlash.com for more

- Most electronic commerce sites are online stores that have at least the following elements at the front-office level: an online electronic catalog listing all products for sale, their price, and sometimes their availability (product in stock or number of days before delivery); a search engine, which makes it possible to easily locate a product via search criteria (brand, price range, key word, etc.); a virtual caddy system (sometimes called virtual cart), which is the heart of the e-commerce system as it makes it possible to trace the purchases of the client along the way and modify the quantities for each reference; secure online payment (accounting) is often ensured by a trusted third party (i.e. a bank) via a secure transaction; and an order tracking system, which allows for the tracking of order processing and, sometimes, provides information on the pickup of the package by the shipper.

E-COMMERCE CATEGORIES:

- **B2B (Business-to-Business):** One company doing business with another company using internet-enabled devices, such as manufacturers are buying raw material from another raw material manufacturer, or a distributor is buying online from a manufacturer. Such B2B ecommerce business is volumetric, and price varies based on the quantity of the order and is often negotiable.
- **B2C (Business-to-Consumer):** One company is selling goods or services online to the general public typically through an ecommerce website or mobile application, directly to consumers over the Internet. An example of B2C portals includes Flipkart, Myntra or Snapdeal. A B2C ecommerce transaction would be an individual buying a pair of shoes through Flipkart's website.
- **C2B (Consumer-to-Business):** A customer posts his requirement on a website online, and several companies review such requirements (RFQ) and quote on the project. The consumer reviews all bids and finalizes the deal with the enterprise going to complete the project. C2B business involves consumers seeking products or services from a business/company. For example, you can take ref. of indiamart.com.



educlash CGPA Converter

Convert: SGPI->CGPA & PERCENTAGE / CGPA->PERCENTAGE

Visit educlash.com for more

- **C2C (Consumer-to-Consumer):** Many sites are offering free classifieds listing where individuals can buy and sell thanks to the site such as OLX or Quirkr, where people can buy and sell stuff nearby. Such transactions called consumer to consumer ecommerce. Where users sell products to other prospective customers. An example would be someone selling something that he or she no longer needs, and he listed the same on OLX, and another person who needs the same thing contacts the seller and get the transaction done.



SCOPE OF E-COMMERCE:

The scope of e-Commerce Business in India is undoubtedly going to increase year after year. A recent report by the Internet and Mobile Association of India shows that a fast-paced growth of around 50% is to be expected in the coming five years.

- The primary attribute of this growth is undoubtedly the rise of 3G/4G mobile internet users and a large number of smartphone users because the same mobile commerce is expected to change how business transactions happen in India.
- The scope of e-Commerce business is turning out to be more famous day- after-day according to the market demand. And this requirement is generating innovations worldwide focused on delivery time, ease of transactions and several features served by eCommerce businesses, for example, drone delivery or artificial intelligence.
- E-commerce encompasses a broad range of activities. The core component includes trading of physical goods and services. The conventional activities include.
 - Searching for product information
 - Ordering product
 - Paying for goods and services
 - Customer service
- E-commerce also includes the business activities.
- E-commerce beneficiaries:
 - Benefit to customers
 - Access to more information
 - Rapid response to needs
 - Lower cost and prices
 - Global choice



educlash CGPA Converter

Convert: SGPI->CGPA & PERCENTAGE / CGPA->PERCENTAGE

Visit educlash.com for more

- Easier market research and comparison
- Benefit and opportunities to suppliers
- Shortened supply chain
- Substantial cost saving
- Mass customization
- Global presence
- Competition on specialty
- Improved competitiveness

E-COMMERCE APPLICATIONS AND ISSUES:



The development in e-commerce industry has fuelled growth in many other Industries as well in parallel.

- **E-banking** - E-banking or internet banking is a sophisticated form of Banking which facilitates consumers to make monetary transactions online using their existing bank accounts, credit cards, debit cards, ATM cards or stored-value cards. One can view his/her account details, transfer funds, make payments, and take mini statements for account history. The Electronic Payment System (EPS) via e-banking completes the loop of e-commerce by making payment thereby assuring sellers of the buyers and vice versa. It facilitates a secure and swift payment gateway for any online transaction. The huge input and public response for e-commerce has prompted almost every public and private bank to be visibly active in the online market also.
- **Shipping industry** - If there is one industry which stands to gain with the growing spirit of electronic commerce, its shipping and courier industry for sure. E-commerce had instigated the establishment and growth of international and national shipping firms. FedEx (FDS) and United Parcel Service (UPS) are two of the major shipping companies responsible for shipping a large sector of online purchase.
- **Electronic Media** - Visibly present as newspapers and news channels round the globe since years, the print media has steadily but beautifully occupied the digital world with the growth of internet users and internet economy hence, in recent times. In comparison to the on-paper news, electronic newspaper can give latest/current news readily available at a click.
- **Electronic Auctions** - The brick and mortar trading stores have witnessed an innovative approach for making goods available at a market-negotiated price; called auction. The internet has added a new dimension to this area as in E-Auction where buyers and sellers can bid online and trade in a wide range of products. eBay.com, Olx, and AuctionIndia.com are some of the popular e-auction websites.
- **Finance:** Financial companies are using E-commerce to a large extent. Customers can check the balances of their savings and loan accounts, transfer money to their other account and pay their bill through on-line banking or E-banking. Another application of E-commerce is on-line stock trading. Many Websites provide access to news, charts, information about company profile and analyst rating on the stocks.
- **Manufacturing:** E-commerce is also used in the supply chain operations of a company. Some companies form an electronic exchange by providing together buy and sell goods, trade market information and run back office information such as inventory control. This speeds up the flow of raw material and finished goods among the members of the business community. Various issues related to the strategic and competitive issues limit the implementation of the business



models. Companies may not trust their competitors and may fear that they will lose trade secrets if they participate in mass electronic exchanges.

ISSUES:

1. An absence of Online Identity Verification

When a visitor visits an e-commerce website and signs up, the portal is unaware of the customer except for the information he/she entered. The customer is genuine or not is questionable. This creates huge revenue losses for a company when a customer makes a Cash-On-Delivery (COD) purchase and the information entered like phone number, the address is invalid or fake.

Solution:

This challenge can be solved by taking proper steps to verify the customer's information. First of all recognize signs of suspicious activities like if any Customers are placing high priced orders or large orders, Detect fake phone Numbers or e-mail address, check zip code whether it is matching with state/city. Besides this when a customer signs up send textual message or e-mail to Validate the genuineness of customer. And when a customer makes a COD Purchase automated call can be dialled out to the customer and ask him/her to Validate the delivery address.

2. Competitor Analysis

"You can't look at the competition and say you're going to do it better. You have to look at the competition and say you're going to do it differently." – Steve Jobs
In this competitive world, there will be too many competitors who will be offering same products and service as you. Unless you have the best strategy that differentiates yourself from other competitors; it will become difficult to survive.

Solution:

Conduct proper and deep research of your competitors. Put your efforts in Making strategy which enables you to shine brighter than your competitors. Use Social media platforms, blogs, for promoting your products. Invest in promotional offers this will help to get more web presence and customers. "Businesses with customer's loyalty programs, on average, are 88% more Profitable than customers who do not." Carry out research to find which new products are more in demand and remove old and unwanted items less in demand. By offering best & extraordinary customer services can even help you to be one step ahead of your competitors.

3. Maintaining customer's loyalty

No matter how attractive or fancy your website looks, if you would not be able to build the customer trust and loyalty, the business has to struggle another day! It's the work of lots of efforts for companies to make a new a customer and maintain the same customer for a long time. One of the reasons why ecommerce companies face the struggle while building trust and loyalty with the customer is



because a seller and a buyer don't know each other nor they can see each other while making a transaction, unlike street-shopping. It takes few transactions, time and plenty of efforts by the company to build the customer trust and loyalty.

Solution:

“Customer service is what you and your organization provide. Customer loyalty is the result of the service.” – Shep Hyken To earn the customer loyalty, you must provide excellent customer service. You must make sure from ordering online to shipping, the customer is satisfied with your service. There are plenty of online retailers that might be selling the same product like yours, so you must identify your competitive advantage and nurture your customers accordingly.

4. The headache of product return and refund

In a survey by comScore and UPS, 63% of American consumers check the return policy before making a purchase and 48% would shop more with retailers that offer hassle-free returns. This clearly shows how conscious consumers are for the return and refund policy. When the product is returned, due to whatsoever reason, whether a customer was dissatisfied or the product was damaged, the business suffers a heavy loss of shipment and reputation. Cost of logistics and shipping have always been scary for those e-commerce sellers who deliver the product for free.



Solution:

Return and refund are also part of great customer services, therefore it will be the big mistake to underestimate them. The best thing you can do is build a strong returns policy. Below consideration should be kept in mind while designing returns policy:

- Never hide your policy. Be transparent.
- Use plain English that even understand by laymen. Not all your customers that will read the policy will be highly intellectual.
- Don't use the scary stuff in the policy like, “you must”, “you are required”, the too harsh policy may stop customer to purchase the product.
- Outline what they can expect from you. Provide them various options for payments and shipping.
- Educate your staff about your return policy. So, that they can assist customers quickly and effectively.



- Be prepared to face the cost of your mistakes. If the product is shipped wrong, then take extra efforts to make the customer happy.

5. The struggle of competing on price and shipping

Online merchants frequently compete on price. Plenty of sellers may list equal products on their sites. The product is same but the only difference here is the price. They are vying to sell the product to increase their market share.

The price competition affects the small ecommerce business badly. Because the mid-sized or large competitors often offer products for less price and free shipping on nearly every order, while they couldn't afford to offer the same with competitive price. Online sellers like Amazon and Walmart generally have the shipping amenities around the country. Their distributed warehouses allow large ecommerce businesses to ship orders from the closest facility; approximately 60 percent of orders are in the same area the customer is in. As the orders are shipped from the nearby warehouses, the cost to send the order decreases and the order arrives in a day or two. Ultimately every online shopper expects fast and free shipping that too at lowest price.

Solution:

To survive in the competitive market, ecommerce companies need to distribute their own inventory to fulfilment warehouses, become extremely resourceful shippers, or find some unique products to minimize this problem. Because ultimately every online shopper expects fast and free shipping that too in lowest price.

6. Problem of Data Security

Security issues over the web can lead to nightmare. Fraudsters post lot of spam and they may attack the web host server and infect all websites with viruses. They can get access to all your confidential data about your customer's phone number, card details etc.

Solution:

Manage your own servers and do not use common FTP to transfer files. FTP is prone to theft. If any developer copies any file in an open Wi-Fi network can lose passwords and other confidential data to the thief. By constantly updating shopping cart you can minimize the risk of data stolen. Most content management systems store their data in the database. Developers should take the backups at regular intervals and should retrieve the data if stolen.

Surviving in the Ecommerce competition, which is no less than war, requires the outstanding strategies. If you don't want to struggle, then give extra efforts on your every aspect of business. You must be prepared for challenges and growth at every stage of your business, and ultimately it will have a better chance to bloom.



educlash Result / Revaluation Tracker

Track the latest Mumbai University Results / Revaluation as they happen, all in one App

Visit educlash.com for more



educlash CGPA Converter

Convert: SGPI->CGPA & PERCENTAGE / CGPA->PERCENTAGE

Visit educlash.com for more