

# E-COMMERCE: PROBLEMS AND PROSPECTS

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*Thus, in the future, instead of buying bananas in a grocery store, you could go pick them off a tree in a virtual jungle.”- Yasuhiro Fukushima, Japanese business executive.*

## **Abstract:**

The technology is changing daily, creating a continuous stream of new causes of action. Business becomes worldwide due to cost competitiveness and natural advantage that country has. Interdependency is mantra of modern business.

E-commerce is a type of business model that conduct its operations/ dealings of exchanging of goods and services or the transmitting of funds or data or terms of sale are performed over an electronic network.

Today E-commerce provides tremendous opportunities in different areas of economic life. Wide spread use of ICT has opened the doors for developments in the field of business. E-business retail is decidedly convenient due to its 24-hour availability, global reach and generally efficient customer service. Its growth would depend to a great extent on effective IT security systems for which necessary technological and legal provisions need to be put in place constantly and strengthened instantly.

The 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. It is said e-Business is *by the people, for the people and of the people*.

This paper overviews the complexity of e-commerce emerging role and its many facets. The paper compares the traditional business and E-business. It identifies benefits, recognize the limitations. Further, discuss its impact, the issues and constraints, challenges and opportunities in modern e-world.

**Key words:** Traditional business, E-Business, E-Commerce, ICT, issues, challenges

*“You can’t just open a website and expect people to flood in. If you really want to succeed you have to create traffic.”*

-Joel Anderson, Walmart CEO

## 1. Introduction:

*“Communications is at the heart of e-commerce and community.”*

- Meg Whitman, President and CEO of Hewlett-Packard

Present world is a small global village. Business today extends its operations beyond boundaries. It becomes worldwide due to cost competitiveness and natural advantages that countries have. Business is by the people, for the people and of the people. Interdependency is mantra of modern business. E-business is transforming companies, industries at an accelerating rate. Wide spread use of ICT in the field of business has opened all the doors for developments.

Global marketing is to meet the expectations of varieties of consumers of the entire world, thereby taking commercial advantage of the global operational differences, similarities. To be success in global market the corporate must have to deal with global integrated e-market entry strategies, global marketing mix element strategies and global buyer behavior strategies, differences in the legal environment, administrative procedures etc.,

Lou Gerstner, ex CEO of IBM has rightly said “E-business is all about time cycle, speed, globalization, enhanced productivity, reaching new customers and sharing knowledge across institutions for competitive advantage”. Therefore Indian firms/corporate must learn how to enter foreign e-markets and increase their global competitiveness and adapt their e-business to the requirements of global e-market. E-business can have positive impact on every facet of the organization pave way for rise of manufacturing and service economy.

## 2. Objectives:

The following are the objective of the paper;

1. To understand the complexity, emerging role and its many facets of E-commerce in global business world.
2. To compare the traditional business and E-business
3. To identify the impact of E-commerce on stakeholders of society
4. To recognise the benefits and limitations of E-commerce
5. To discuss the issues and constraints, challenges and opportunities of e-commerce.

This paper is descriptive in nature based on secondary data. The data basically collected through books, journals, magazines, government reports and digital sources etc.

## 3. Theoretical Background:

### 3.1. History:

E-commerce became possible in 1991 when the Internet was opened to commercial use. Its initial form of commercial transactions begins in the late 1970s. In fact, E-commerce was alive and well in business to business transactions before the Web back in the 70s via EDI (Electronic Data Interchange) through VANs (Value-Added Networks) and Electronic Funds Transfer (EFT).

The revolution in ICT field has facilitated corporate and institutions to send commercial documentation through electronic network. By 2000 online buying and selling of goods and services became popular in America and Western Europe. Amazon and eBay were the first companies initiated E-businesses.

### 3.2. Meaning and Definitions:

E-commerce refers to describe the activity of trading in products or services using computer networks. It also sometimes called Electronic or web-based commerce.

According to the editor-in-chief of International Journal of Electronic Commerce, Vladimir Zwass, 'Electronic commerce is sharing business information, maintaining business relationships and conducting business transactions by means of telecommunications networks'.

E-Commerce is a type of business model that enables a firm or individual to conduct its operations/ dealings such as purchase or selling, and exchanging of goods and services or the transmitting of funds or data or terms of sale are performed over an electronic network. The phrase can also refer to downloading software, accessing games, or downloading journal articles and books. Few examples- Business to Business - B2B (Cisco), Business to Consumer -B2C (Amazon), and Consumer to Consumer- C2C (eBay) Business-to-Employee-B2E, Government-to-Government- G2G, Government-to-Employee- G2E, Government-to-Business-G2B, Business-to-Government- B2G, Government-to-Citizen-G2C, Citizen-to-Government-C2G are other forms of e-commerce.

E-commerce is a subset of e-business. All business dealings are performed electronically without the use of paper but involves use of telephone, email, fax, online catalogs, shopping carts, e-payment, money transfer systems, e-data interchange Electronic Data Interchange (EDI), File Transfer Protocol, and the Internet. However, e-commerce is not just on the Web.

Now a day's most of the products or services can be offered via e-commerce. The product ranges from books and music to financial services and plane tickets including online advertising, online ordering, publishing, banking, investment, auction and professional services. This type of business requires safety, security, privacy and effectiveness in its operations. Therefore every firm/company must authenticate and access to resources.

Elizabeth Goldsmith and others (2000) categorized E-commerce into two parts:

1. E-merchandise: selling goods and services electronically and moving items through distribution channels. For example shopping for groceries, tickets, music, clothes, hardware, travel, books, flowers or gifts etc.
2. E-finance: banking, debit cards, smart cards, telephone and Internet banking, insurance, financial services and mortgages on-line.

### 3.3. E-Business vs. E-Commerce:

The terms E-Commerce and E-Business are often used interchangeably. But there are few differences.

E-business is the conduct of business processes through the use of Internet technology. It is not only buying and selling but also servicing customers and collaborating with business partners. It also includes customer service (e-service) and intra-business tasks. An e-business is a company that can adapt to constant and continual change. The developments of intranet and extranet is a part of e-business. E-business is everything to do with back-end systems in an organization.

E-commerce may be defined as- anything that involves an online transaction. It includes all aspects of running a business that sells goods and services, including business functions of marketing, manufacturing, finance, selling, negotiations, earning and retaining customers, procurement, developing business partners. E-commerce and E-businesses offer online storefronts, complete with virtual shopping carts and wish lists that can be emailed to friends and family. In addition e-businesses often have an electronic chat function that is used for technical and customer support. E-business became an extension of e-commerce to encompass all aspects of businesses that function online. E-business involves e-commerce, but e-commerce does not cover all aspects of e-business. In most of cases e-business that uses Internet technology to improve productivity and profitability of business. In order to be successful e-commerce and e-businesses must have quality storefronts to navigate and peruse business with accurate and thorough catalog information. Adopting e-Business facilitate companies to reduce costs and

improve customer response time. In practice e-commerce and e-business are often used interchangeably

### 3.4. E-Commerce vs. Traditional Commerce

The Internet has changed the nature and structure of competition. In the past, most businesses had to compete within a single industry and often within a specific geographic area, but the Internet has made boundary less. With E-Business customers can purchase products virtually anywhere in the world. It enhances the existing market position by providing a cheaper and more efficient distribution chain for products or services.

A traditional business may have large overhead costs associated with maintaining a storefront. But a web-based business does not necessarily have that type of overheads. It has almost eliminated the middleman. Businesses and consumers can communicate directly involve to carry out transactions. Although e-commerce is still a developing part of the economy, some people believe that traditional stores may eventually go out of business.

Farooq Ahmed (2001) reported that the enormous flexibility of the internet has improved traditional methods of business. With e-commerce, businesses can move more quickly and usually less expensively to reach a worldwide audience definitely will find new ways to work together.

### 3.5. Types of E-Commerce:

Today companies are using different forms of e-commerce to offer their products and services online. E-commerce can be subdivided into many categories. Broadly, it is divided into four main categories. B2B, B2C, C2B, and C2C

1. **B2B (Business-to-Business):** here companies will be doing business with each other. For example manufacturers are selling to distributors and wholesalers selling to retailers. Pricing is based on quantity of order and is often negotiable.
2. **B2C (Business-to-Consumer):** In this case selling of goods or services to the general public typically through catalogs utilizing shopping cart software.
3. **C2B (Consumer-to-Business):** In this case consumer posts his project with a set of budget online and concerned companies review that consumer's requirements and bid on the project. The consumer reviews the bids and selects the company that will complete the project. Elance- a company connects talented developers, designers, writers, marketers, support reps, administrators etc and provide platform and meeting ground to empower consumers around the world.
4. **C2C (Consumer-to-Consumer)-** There are number of online sites offering free classifieds, auctions, and forums for individuals to buy and sell. For example eBay's auction service is a great example of where person-to-person transactions take place every day since 1995. PayPal popular online payment systems through which people can send and receive money online with ease.

E-commerce- now days operate in all four of the major market segments- Business to Business, Business to Consumer, Consumer to Consumer and Consumer to Business. Recently, in India few organizations 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.

### 4. Growth of E-Commerce:

Revolutionary advances in Information and Communication technologies (ICT) in recent years have made computer networks an integral part of the economic activities. As the internet continues to grow, more and more stores offer online shopping to their customers. Most experts believe that overall e-commerce business will increase exponentially in coming years.

**Table 01: E-Commerce market size of India**

Year	2002-03	2003-04	2004-05	2005-06	2007-08

Business to Consumer transaction in Rs.(Crore)	130	255	570	1,180	2,300
Percent Growth	-	96	124	107	95

Source: (www.iamai.in).

As per the findings of Internet and Mobile Association India the total value of E-Commerce activities within India has Crossed Rs.570 Crore during 2004-05. Further it has predicted e-commerce revenues in the country will reach Rs 2,300 Crore in the 2007 financial year growing at 95 percent over the year 2006. PrithvirajDasgupta and KasturiSengupta (2002) examined the future and prospects of e-commerce in Indian Insurance Industry. It is being estimated that the online travel market in India was estimated at \$300 million in 2005 and has crossed \$750 million in 2006. By 2008, it is expected to exceed \$2 billion. E-commerce offers unprecedented opportunities to both developing and developed countries.

#### 4. Benefits of E-Commerce:

Nir B. Kshetri (2001) reported that the twin forces of globalization and the Internet have the potential to offer several benefits to individuals and organizations in developing as well as developed countries.

E-commerce provides multiple benefits to the costumers.

The benefits mainly include its around-the-clock availability at lower cost, the speed of access, a wider selection of goods and services, accessibility, and international reach and saves time. But customers sometimes have limited customer service not being able to see or touch a product prior to purchase and the necessitated wait time for product shipping. However, Organizations of today have transformed their best healthy business practices.

##### 4.1. Advantages of E-Commerce:

1. **Convenience:** e-Business can take place round the clock i.e. 24/7. Consumers can access e-commerce and e-businesses at any time of the day or night, from their workplace or in their pajamas.
2. **Selection:** e-stores offer a wider array of products online. Consumers can search through countless products and services using online databases. Prices are quickly compared online to find the business that offers the best products at the best prices.
3. **Targeted marketing:** Consumers are quickly exposed to e-business because it uses more targeted marketing and offers more in-depth education compared to traditional businesses.
4. **Product at lower price:** It offers the product to the country at a price lower than that available through physical delivery.

##### 4.2. Disadvantages of E-Commerce:

1. **Limited customer service:** There is no personal touch in this business. If you want to buy a computer and you're shopping online, there is no employee you can talk to about which computer would best meet your needs.
2. **No instant gratification:** When you buy something online you have to wait for it to be shipped to your home or office.
3. **No ability to touch and see a product:** Online images don't always tell the whole and exact story about an item/product. E-transactions sometimes can be dissatisfying when the consumer receives the product is different than ordered.

#### 5. E-Commerce: In practice:

E-commerce businesses usually employ some or all of the following practices.

1. Provide e-tail or virtual storefront or virtual mall on websites with online catalogs.
2. They buy or sell goods or services on online marketplaces.
3. They gather and use demographic data through web contacts and social media.
4. They use electronic data interchange, the business-to-business (B2B) exchange of data.

5. They reach prospective and established customers by e-mail or fax. For example with newsletters).
6. They use business to business (B2B) buying and selling.
7. They provide secure business transactions.

#### 6. Issues of E-Commerce:

Internet based business has besides great advantages posed many threats because of its being what is popularly called faceless and borderless.

E-commerce is not a boon. It is not free from problems.

As companies have embraced the internet as a business medium, they have discovered that their biggest challenge is not only establishing connectivity and infrastructure but is the safe and secure transmission and sensitive information.

Modern firms face many issues as well as the challenges. The following are the main Issues;

1. **Technological** - telecommunication, hardware, software and the availability of technical skill sets.
2. **Non-technological** - Non-technological issues are often related to intellectual property concerns, copyright, trademark, credit/cash policies and privacy.
3. **The issue of tariffs**, which are applicable to products imported in physical form but not when transmitted electronically. As long as the cost of electronic transmission is lower than that of physical delivery, the presence of tariffs on the latter poses no problem.
4. **Political factors:** including the role of government in creating government legislation, initiatives and funding to support the use and development of e-commerce and information technology.
5. **Social factors:** incorporating the level and advancement in IT education and training which will enable both potential buyers and the workforce to understand and use the new technology
6. **Economic factors :** including the general wealth and commercial health of the nation and the elements that contribute to it

According to Farooq Ahmed (2001) the following are some of the multifaceted issues.

1. Formation of e-contracts: a) Contracts by e-data interchange b) Cyber contracts
2. Validity of e-transactions.
3. Dichotomy of offer and invitation to treat.
4. Communication of offer and acceptance.
5. Mistake in e-commerce. a) Mutual mistake b) Unilateral mistake.
6. Jurisdiction: cyber space transactions know no national and international boundaries and are not analogous to 3- dimensional world in which common law principles involved.
7. Identity of parties: The issues of jurisdiction, applicable law and enforcement of the judgments are not confined to only national boundaries.

The problems raised are global in nature and need global resolution. There must be sincere efforts have to be made to strengthening success factors, establishing barriers to failure, diminishing barriers to success and fighting the failure factors.

#### 7. Opportunities for E-Commerce:

All countries are not likely to benefit equally from the virtuous circle of Internet diffusion created by globalization and multiple revolutions in Information and Communication technologies. Apart from economic benefits e-commerce can make progress on educational and scientific development, mutual aid, and world peace; foster democracy; and offer exposure to other cultures. Young Jun Choi<sup>1</sup>, Chung Suk Suh (2005) reported that the development of the internet led to the birth of an electronic marketplace. An e-marketplace provides a virtual space to sellers and buyers to trade with each other as in the traditional marketplace. It offers unprecedented opportunities to both developing and developed countries.

Over the past year Amazon.Com, ebay India, Indiatimes have seen a rapid growth in categories such as mobile handsets, jewellery, fashion apparel, books, gift items and other items.

1. Naukri.com – India's premier recruitment site has captured around 50% of the recruitment market.
2. ICICIDIRECT.com - Stock trading simplified, Icidirect.com is today the country's premier trading portal.
3. Baaze.com the country's premier shopping site started as an auction site and graduated to be the most popular platform-shopping site.
4. Irtc.com - One of the best things about this site is that a credit card is not an essential requirement for buying tickets here. Instead the site offers a direct debit facility having tied with most of the popular banks.

Today e-marketing have been reshaping the economy by aggregating dispersed demands;affecting the behaviour of buyers and sellers. Adopting e-Business facilitate companies to reduce costs and improve customer response time.

To fully exploit the potential of the Internet and e-commerce, policy makers in developing as well as industrialized countries are taking initiatives to develop the global information infrastructure (GII) and connect their national information infrastructures to the GII (Gore 1996).

### **8. E-Commerce: A Road Ahead:**

Technology and business are two faces of same coin. Technology is continuously redefining business models, reinventing its processes, changing corporate cultures and improving relationships with customers and suppliers.

With the development of computer technology, the World Wide Web has become the connection medium for the networked world. Computers from locations that are geographically dispersed can talk with each other through the Internet. Most analysts believe that e-commerce has reshaped the business world.

A small company with a higher quality product and better customer service can use the huge growth of virtual communities from the manufacturer to the consumer, to challenge larger competitors—something it might not be able to do in the traditional world of commerce.

As we know any new technology has positive and negative things associated with its use and adoption. However, rapidly changing technology is continually bringing new goods and services to the market.

Today E-commerce provides tremendous opportunities in different areas but it requires careful application for consumer protection issues. Growth of e-commerce would also depend to a great extent on effective IT security systems for which necessary technological and legal provisions need to be put in place and strengthened constantly.

E-commerce provides buyers and sellers information on products and services to the needy participants in the market. In this context the Indian companies, organizations, and communities are beginning to take potential advantages and facing critical challenges to overcome before e-commerce would become an asset for common people.

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