



E-COMMERCE

electronic commerce approach

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About the Tutorial

E-Commerce or Electronics Commerce is a methodology of modern business, which addresses the requirements of business organizations. It can be broadly defined as the process of buying or selling of goods or services using an electronic medium such as the Internet.

This tutorial takes adopts a simple and practical approach to explain the governing principles of e-commerce.

Audience

This little tutorial would be useful for almost anyone having an inclination to learn how business is carried out using the principles of e-commerce.

Prerequisites

This is a very basic tutorial that introduces the subject without getting into too much detail, hence we can safely claim there are no prerequisites. You can breeze through the tutorial with an elementary knowledge of market, buyers, sellers, and traditional commerce.

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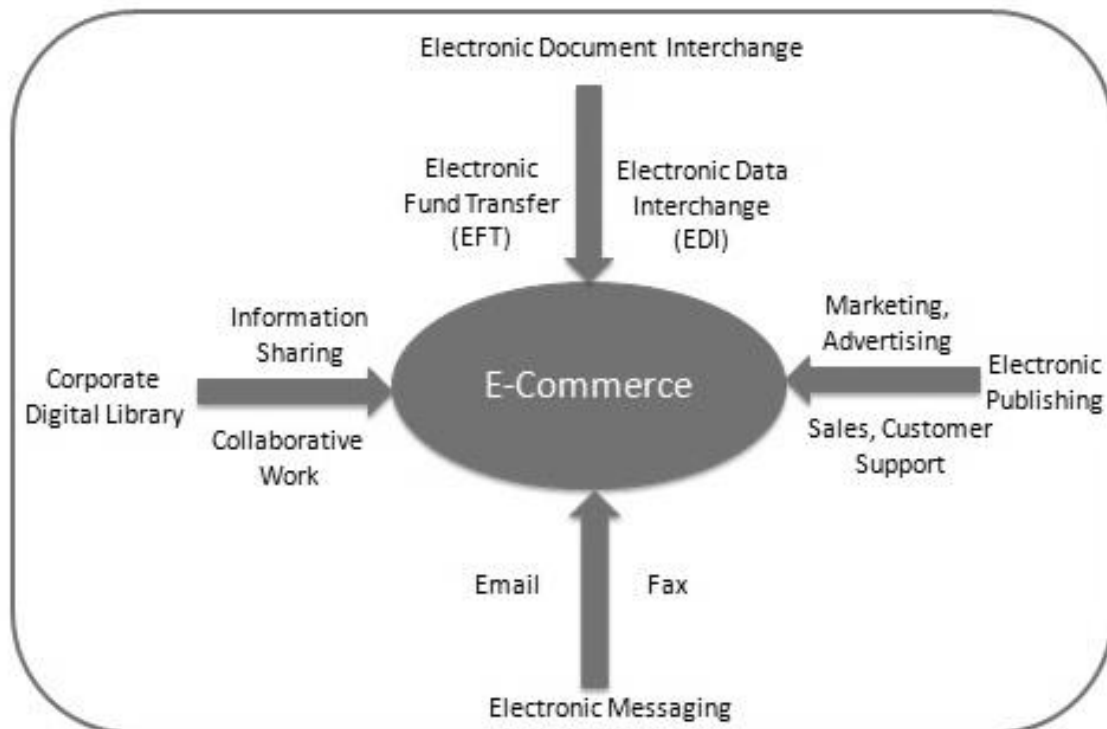
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1. E-Commerce – Overview

E-Commerce or Electronics Commerce is a methodology of modern business, which addresses the need of business organizations, vendors and customers to reduce cost and improve the quality of goods and services while increasing the speed of delivery. E-commerce refers to the paperless exchange of business information using the following ways:

- Electronic Data Exchange (EDI)
- Electronic Mail (e-mail)
- Electronic Bulletin Boards
- Electronic Fund Transfer (EFT)
- Other Network-based technologies



Features

E-Commerce provides the following features:

- **Non-Cash Payment:** E-Commerce enables the use of credit cards, debit cards, smart cards, electronic fund transfer via bank's website, and other modes of electronics payment.
- **24x7 Service availability:** E-commerce automates the business of enterprises and the way they provide services to their customers. It is available anytime, anywhere.
- **Advertising/Marketing:** E-commerce increases the reach of advertising of products and services of businesses. It helps in better marketing management of products/services.
- **Improved Sales:** Using e-commerce, orders for the products can be generated anytime, anywhere without any human intervention. It gives a big boost to existing sales volumes.
- **Support:** E-commerce provides various ways to provide pre-sales and post-sales assistance to provide better services to customers.
- **Inventory Management:** E-commerce automates inventory management. Reports get generated instantly when required. Product inventory management becomes very efficient and easy to maintain.
- **Communication improvement:** E-commerce provides ways for faster, efficient, reliable communication with customers and partners.



Traditional Commerce v/s E-Commerce

Traditional Commerce	E-Commerce
Heavy dependency on information exchange from person to person.	Information sharing is made easy via electronic communication channels making a little dependency on person to person information exchange.
Communication/transactions are done in synchronous way. Manual intervention is required for each communication or transaction.	Communication or transactions can be done in asynchronous way. The whole process is completely automated.
It is difficult to establish and maintain standard practices in traditional commerce.	A uniform strategy can be easily established and maintained in e-commerce.
Communications of business depends upon individual skills.	In e-commerce, there is no human intervention.
Unavailability of a uniform platform, as traditional commerce depends heavily on personal communication.	E-commerce websites provide the user a platform where all the information is available at one place.

No uniform platform for information sharing, as it depends heavily on personal communication.

E-commerce provides a universal platform to support commercial/business activities across the globe.

2. E-Commerce – Advantages

The advantages of e-commerce can be broadly classified into three major categories:

- Advantages to Organizations
- Advantages to Consumers
- Advantages to Society



Advantages to Organizations

- Using e-commerce, organizations can expand their market to national and international markets with minimum capital investment. An organization can easily

locate more customers, best suppliers, and suitable business partners across the globe.

- E-commerce helps organizations to reduce the cost to create process, distribute, retrieve and manage the paper based information by digitizing the information.
- E-commerce improves the brand image of the company.
- E-commerce helps organizations to provide better customer service.
- E-commerce helps to simplify the business processes and makes them faster and efficient.
- E-commerce reduces the paper work.
- E-commerce increases the productivity of organizations. It supports "pull" type supply management. In "pull" type supply management, a business process starts when a request comes from a customer and it uses just-in-time manufacturing way.

Advantages to Customers

- It provides 24x7 support. Customers can enquire about a product or service and place orders anytime, anywhere from any location.
- E-commerce application provides users with more options and quicker delivery of products.
- E-commerce application provides users with more options to compare and select the cheaper and better options.
- A customer can put review comments about a product and can see what others are buying, or see the review comments of other customers before making a final purchase.
- E-commerce provides options of virtual auctions.
- It provides readily available information. A customer can see the relevant detailed information within seconds, rather than waiting for days or weeks.
- E-Commerce increases the competition among organizations and as a result, organizations provides substantial discounts to customers.

Advantages to Society

- Customers need not travel to shop a product, thus less traffic on road and low air pollution.
- E-commerce helps in reducing the cost of products, so less affluent people can also afford the products.
- E-commerce has enabled rural areas to access services and products, which are otherwise not available to them.

- E-commerce helps the government to deliver public services such as healthcare, education, social services at a reduced cost and in an improved manner.

3. E-Commerce – Disadvantages

The disadvantages of e-commerce can be broadly classified into two major categories:

- Technical disadvantages
- Non-technical disadvantages



Technical Disadvantages

- There can be lack of system security, reliability or standards owing to poor implementation of e-commerce.
- The software development industry is still evolving and keeps changing rapidly.
- In many countries, network bandwidth might cause an issue.
- Special types of web servers or other software might be required by the vendor, setting the e-commerce environment apart from network servers.
- Sometimes, it becomes difficult to integrate an e-commerce software or website with existing applications or databases.
- There could be software/hardware compatibility issues, as some e-commerce software may be incompatible with some operating system or any other component.

Non-Technical Disadvantages

- Initial cost: The cost of creating/building an e-commerce application in-house may be very high. There could be delays in launching an e-Commerce application due to mistakes, and lack of experience.
- User resistance: Users may not trust the site being an unknown faceless seller. Such mistrust makes it difficult to convince traditional users to switch from physical stores to online/virtual stores.
- Security/ Privacy: It is difficult to ensure the security or privacy on online transactions.
- Lack of touch or feel of products during online shopping is a drawback.
- E-commerce applications are still evolving and changing rapidly.
- Internet access is still not cheaper and is inconvenient to use for many potential customers, for example, those living in remote villages.

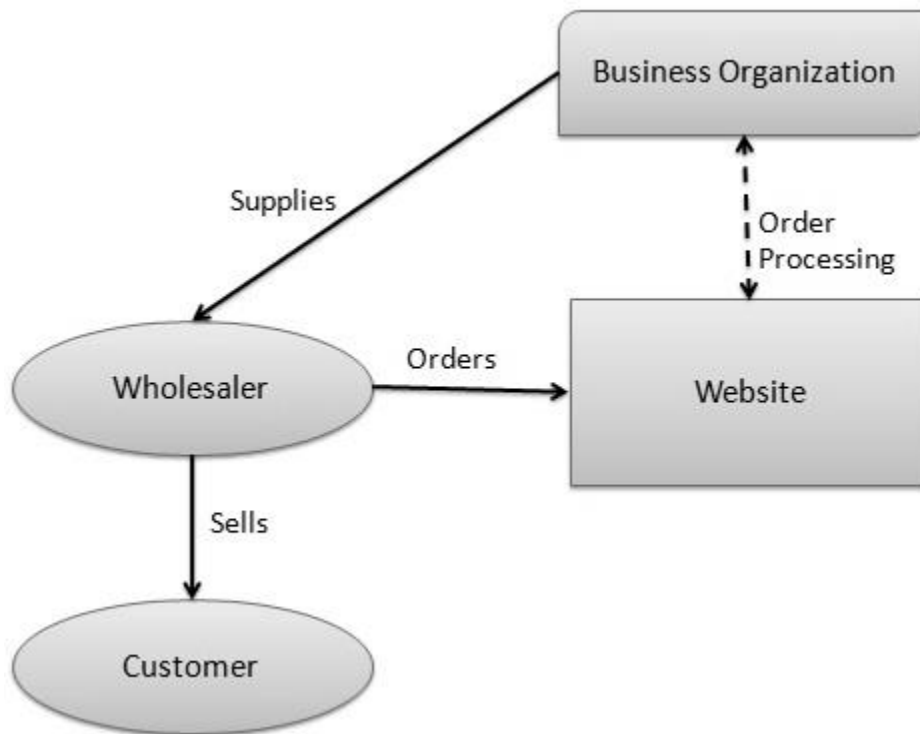
4. E-Commerce – Business Models

E-commerce business models can generally be categorized into the following categories.

- Business - to - Business (B2B)
- Business - to - Consumer (B2C)
- Consumer - to - Consumer (C2C)
- Consumer - to - Business (C2B)
- Business - to - Government (B2G)
- Government - to - Business (G2B)
- Government - to - Citizen (G2C)

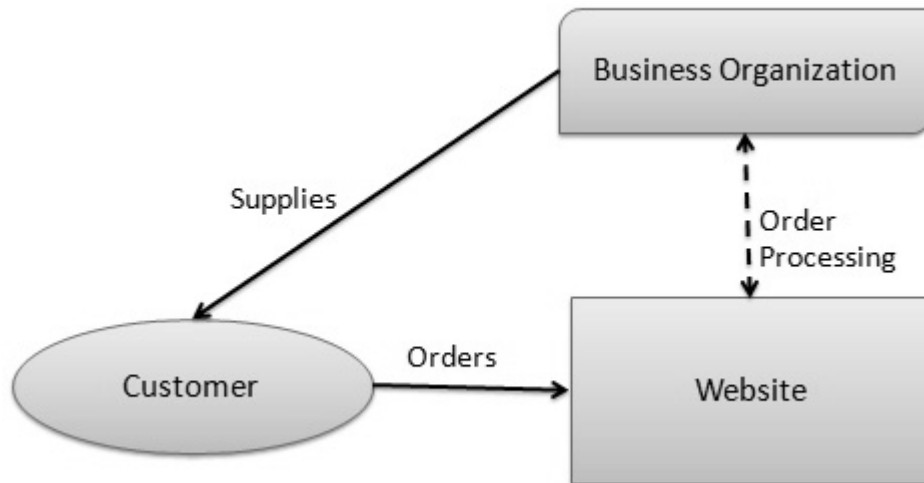
Business - to - Business

A website following the B2B business model sells its products to an intermediate buyer who then sells the product to the final customer. As an example, a wholesaler places an order from a company's website and after receiving the consignment, sells the end-product to the final customer who comes to buy the product at one of its retail outlets.



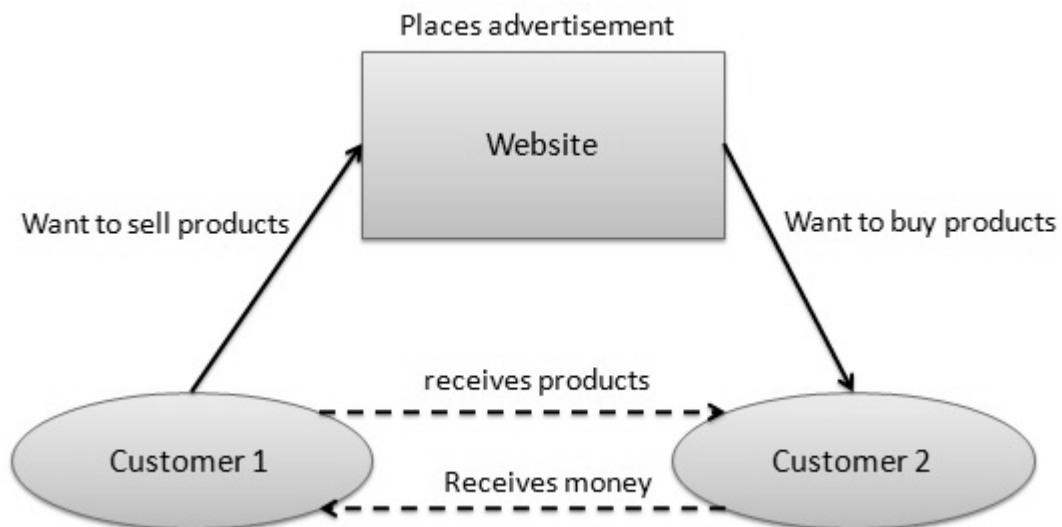
Business - to - Consumer

A website following the B2C business model sells its products directly to a customer. A customer can view the products shown on the website. The customer can choose a product and order the same. The website will then send a notification to the business organization via email and the organization will dispatch the product/goods to the customer.



Consumer - to - Consumer

A website following the C2C business model helps consumers to sell their assets like residential property, cars, motorcycles, etc., or rent a room by publishing their information on the website. Website may or may not charge the consumer for its services. Another consumer may opt to buy the product of the first customer by viewing the post/advertisement on the website.



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