

Study Material

E - Commerce

[B. Com (Hons. + General) Semester – II]



Compiled by: Suparna Roy

Nabagram Hiralal Paul College

Chapter 1: Overview of E-commerce

Definition of E-commerce

E-commerce can be defined as doing business online and performing transaction like buying and selling of products and services over the Internet using electronic technology and creation of electronic marketplaces. For example, amazon.com, flipkart.com.

E-commerce depends on many things such as internet marketing, hand held devices like mobile phones, Electronic Fund Transfer (EFT) for payment, online transaction processing for processing the order, Electronic Data Interchange (EDI), etc.

Comparison between Traditional Commerce and E-Commerce

Traditional Commerce	E-Commerce
1) In Traditional Commerce face-to-face transaction takes place between buyers and sellers.	1) In e-commerce there is no personal contact between buyers and sellers.
2) In Traditional Commerce all products are physical.	2) In e-commerce all products are digital but it may have physical dimensions also.
3) In Traditional Commerce physical products can be purchased after doing examination and price comparisons.	3) In e-commerce there is no such scope like examination of the products and price comparisons.
4) In Traditional Commerce all delivery agents are physical.	4) In e-commerce all delivery agents are include a mix of digital and physical dimensions.

Advantage / Importance of E-Commerce

- 1) **Round-the-clock operation:** The e-commerce system can operate all day, everyday and throughout the year. The physical store from does not need to be opened because the company can execute the orders of their customers and suppliers electronically.

- 2) **Global reach:** One of the advantages of e-commerce is that the internet can be accessed by anyone, at anytime (24 X 7) and from any location in this world.
- 3) **Cost effectiveness:** The various costs that a company has to incur like procurement cost, processing cost, purchasing cost and selling and marketing cost are lower in e-commerce.
- 4) **Disintermediation:** E-commerce provides the opportunity to the customers to directly interact with business organizations and business houses too can fulfill customers' demand without resorting to any intermediaries.
- 5) **Affordability:** E-commerce is more affordable because it is purely internet and web based.
- 6) **Supply chain improvement:** Supply chain inefficiencies, such as excessive inventories and delivery delays, can be minimized with e-commerce.

Disadvantage / Limitation of E-Commerce

- 1) E-commerce is very difficult for the customer to identify whether the organization running e-commerce business is genuine or fraud. There is no guarantee for the quality of the products and services that offer on the website and what customers actually receive.
- 2) Software development industry as well e-commerce application is still evolving and keeps changing rapidly.
- 3) Lack of touch or feel of products during online shopping.
- 4) Internet access is still not cheaper and is inconvenient to use for many potential customers who are living in remote villages.

E-Business

E-Business can be defined as exchange of information relating to business operations using electronic technology.

E-Business is not just buying of goods and services over the internet; it also includes servicing customers, collaborating with business partners and conducting electronic transactions within an organization in order to improve business performance.

Is the internet economy synonymous with e-commerce and e-business?

The internet economy pertains to all economic activities using electronic network. The internet economy is broader concept than e-commerce and e-business. It includes e-commerce and e-business.

Define Mobile Commerce (M-commerce).

M-commerce can be defined as the use of handheld wireless device to communicate, interact and transact via hi-speed connection to the internet. It means buying and selling goods and services through wireless technology, i.e. handheld device such as cellular telephones and Personal Digital Assistance (PDA).

Advantages of M-commerce

- 1) Absolute mobility
- 2) Anywhere anytime access.
- 3) Closer interaction between customer and business.
- 4) Mobile phone users can access or send information in a completely personalized mobile environment.
- 5) Auto-tracking location i.e. the location of the user is easily identifiable.
- 6) Customer can pay for the products and services they consume through the mobile handset adding the payment to the phone bill.

Disadvantages of M-commerce

- 1) Inconvenience regarding small size of the screen, limited computing power and limited storage.
- 2) Incompatibility i.e. lack of standards regarding the mobile phone to network interface, the interfaces between host and mobile platforms.

Terminologies frequently used in E-commerce

- a) **Internet:** Internet is a private computer network that is maintained by an organization for internal communications. It uses some internet technologies like protocols, software and servers but cannot be viewed by an unauthorized person outside the organization. It is fast, cheap and reliable networking system.
- b) **Extranet:** An extranet is a private network that uses internet protocol, network connectivity and public telecommunication system to securely share part of an organisation's information or operations with suppliers, vendors, partners, customer5s or other businesses.
- c) **Ethernet:** Ethernet was commercially introduced in the year 1980s. It is the most widely installed Local Area Network (LAN) technology.
- d) **LAN:** A Local Area Network is a digital communication system that interconnects a group of computers, terminals, printers, hard disks, modem, etc. together to allow a number of users to use the same software and data file within a restricted geographical area within one kilometer across. Normally it is limited to a large building, office premises, campus, school or few buildings.
- e) **WAN:** A Wide Area Network is a digital communication system which is made up of number of autonomous computers distributed over a wide geographical area. WAN can be installed using private or public networks. WAN can cover several thousand kilometers. It can be installed nationwide or even worldwide.
- f) **www:** The World Wide Web is one of the most popular services available on internet. It is a subset of the internet and it presents text, images, animation, videos, sound and other multimedia in single interface. The software which acts as an interface between the user and the internet specifically the world wide web is called web browser. Examples of browsers are Microsoft Internet Explorer, Mozilla Firefox, etc.

Impact of E-commerce application

- 1) **E-banking:** Customers of the banks can now access their accounts, carry out transactions like deposit, withdraw and transfer of money through online banking.
- 2) **E-tailing:** It is the selling of retail goods on the internet.

- 3) **E-bookings:** People can now book rail, air and ship tickets using e-commerce technologies. Even the room booking in hotels is now become very common in e-commerce.
- 4) **E-auctions:** E-commerce has provided a new dimension to auction trading by creating an online mechanism to execute auction process.
- 5) **E-entertainment:** Digital Right Management (DRM) schemes has allowed organizations to deliver copyrighted video, music, cinema, film, game and other means of entertainment through e-commerce.
- 6) **E-publishing:** Online publication of e-book, e-journal, e-magazine is now become very common elements on the Internet.
- 7) **E-care:** Health care and other medical services like medical transcription, conferencing with doctors and even the critical operations using the internet is now become a common incident.
- 8) **E-financial:** Financial services organizations like insurance, portfolio management, fund management, funds transfer and lending are appearing in e-commerce.

Necessity of internet in E-commerce and E-business

The internet allows people from all over the world to get connected reliably and inexpensively. It has created an environment of interconnected economy where suppliers, distributors, retailers and the end users of the product are interconnected. The internet is an enabler for e-commerce. In every field of operation e-commerce depends on internet. The necessity of internet in relation to e-commerce and e-business are:

- a) Product searching.
- b) Order placement.
- c) Inventory control.
- d) Revenue realization.
- e) Distribution system.
- f) Advertising and sales promotion.
- g) Customer loyalty.

Test your knowledge

- 1) World Wide Web (WWW) was introduced in the year
 - (a) 1994
 - (b) 1996
 - (c) 1992
 - (d) 1990

- 2) is concerned with the buying and selling information, products and services over computer communication networks 
 - (a) Commerce
 - (b) E-Commerce
 - (c) E-Business
 - (d) None of these

- 3) In India which Act governs the basic applicability of E-commerce?
 - (a) Information Technology Act 2010
 - (b) Information Technology Act 2008
 - (c) Information Technology Act 2017
 - (d) Information Technology Act 2000

- 4) When mobile devices are used for ordering and payment, it is known as
 - (a) E-commerce
 - (b) Mobile wallet
 - (c) E-wallet
 - (d) Mobile commerce

- 5) The full form of EFT is
 - (a) Economy Finance Trade
 - (b) Electronic Fund Transfer
 - (c) Electronic Finance Transfer
 - (d) Economic Financial Trade

- 6) E-commerce 
 - (a) A transaction of buying & selling at the same time online
 - (b) A transaction of buying but not selling online
 - (c) A transaction of not buying but selling online
 - (d) A transaction of buying or selling online

- 7) Extranet is set up by:
 - (a) Individuals who do a lot of online shopping
 - (b) Businesses which buy raw materials or services from another business
 - (c) Individuals who want extra security online

(d) Businesses which require an extra layer of security

8) The full form of EDI is

- (a) Economic Data Interchange
- (b) Enterprise Data Interchange
- (c) Executive Data Interchange
- (d) Electronic Data Interchange

9) are networks that connect people within a company to each other and to the company network.

- (a) Internets
- (b) Intranets
- (c) Extranets
- (d) Compunets

10) A network that connects a company with its suppliers and distributors is called an

- (a) Intranet
- (b) Internet
- (c) Extranet
- (d) Compunets

Answer keys:

1. (a), 2. (b), 3. (d), 4. (d), 5. (b),
6. (d), 7. (b), 8. (d), 9. (a), 10 (c).

NABAU