

A STUDY OF CHALLENGES AND BENEFITS OF ELECTRONIC COMMERCE

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ABSTRACT

The e-Commerce industry in India is growing at a remarkable pace due to the high penetration of internet and sophisticated electronic devices. However, the recent growth rate of e-Commerce in India is far lagging behind than other developed countries. There are many big problems and challenged on the way of an online merchant. Factors like safety and security of online money transaction being the biggest problem along with others have curbed the smooth expansion of the online industry in the country. The current research discusses the current scenario of E-Commerce, the historical background of E-Commerce, Challenges of E-Commerce and benefits of E-Commerce.

KEYWORDS: *E-Commerce, India, Benefits, and Challenges*

INTRODUCTION

E-commerce activated in 1995. It needs the digital goods for carrying out their transactions. Digital goods are goods that can be transported over a digital network (Laudon and Laudon, 2013). E-commerce is rapidly converting the way in which enterprises are interacting with each other as well as with consumers and Governments. As a result of fluctuations in the landscape of ICTs, e-commerce is now rising rapidly in several emerging markets and emerging economies (UNCTAD/IER/2015). The technologies designed to improve commercial transactions using the Internet have evolved as quickly.

E-Commerce has greatly transformed the way how businesses are conducted in the modern world as it offers huge benefits compared to the traditional business methods. Although the benefits of using e-Commerce in a business are plentiful, several experiments are faced by Organizations using e-Commerce systems in Botswana. Olatokun and Kebonye (2010) found that the main experiment faced by the firms in their use of e-commerce technologies was related to security issues.

A.P Shemi and C.T. Procter (2013) perceived that the slow speed of the internet is a key challenge for e-commerce initiatives. Oreku et al (2009) noted that, even when the internet is available, its continued use is hampered by lack of electricity, especially in rural areas. Most of the tourism companies are remotely based in rural areas and usually experience frequent power outages.

There is a shortage of e-Commerce specialists in Botswana and even third-party companies that support e-Commerce. This forces organizations to hire expatriates from other countries. However, A.P Shemi and C.T. Procter (2013) further found that ICT expertise that is mostly obtained from non-citizen resident personnel cannot be dependent upon for a long time due to a short-term contract practice stipulated in the immigration policy of Botswana. Majority of these contracts are normally between two and three years.

E-COMMERCE DATABASE DESIGN

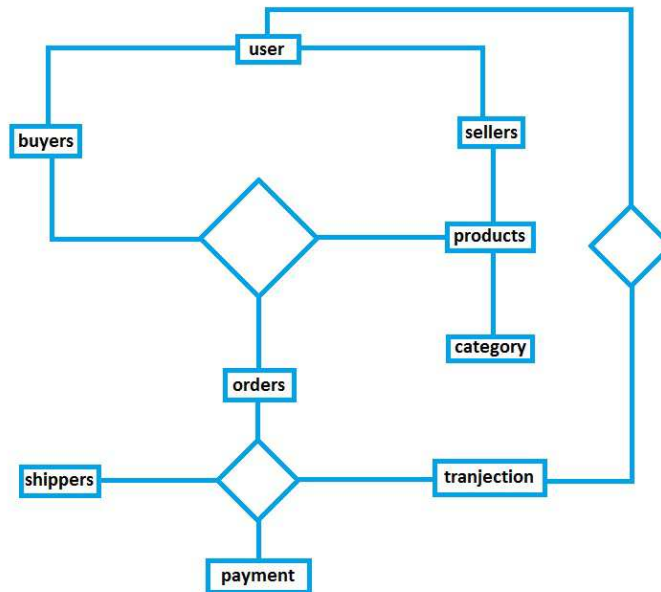


Figure 1

The above figure 1.1 revealed the information about the E-commerce database design which is very useful to understand the whole E-commerce structure.

HISTORY OF E-COMMERCE

- The first E-Commerce in history dates back to 1886 when a telegraph operator by the name Richard Sears who after obtaining a shipment of watches that was refused by the local jeweler, used the telegraph to sell the watches to fellow operators and railroad employees. In a matter of months, he had saved up enough money to quit his job to start his own business which later became Sears, Roebuck, and co. (Sears, 1863-1914).
- The internet began to advance in popularity among the general public in 1994.
- In 2000 a great number of business companies in the United States and Western Europe represented their services on the world wide web. At this time the meaning of the word e-commerce was changed.
- History of E-commerce is unthinkable without Amazon and Ebay, which were among the first internet companies to allow electronic transactions.
- Currently, there are 5 largest and most famous worldwide internet retailers: Amazon, Dell, Staples, Office Depot and Hewlett Packard. According to statistics, the most popular categories of product sold on the World Wide Web are music, books, computers, office supplies and other consumer electronics.

- Amazon.com, Inc is one of the most famous e-commerce companies and is located in Seattle, Washington (USA). It was founded in 1994 by Jeff Bezos and was one of the first American e-commerce companies to sell products over the internet.
- Amazon is one of the first e-commerce businesses to establish an affiliate marketing program and nowadays the company gets about 40% of its sales from affiliates and third-party sellers who list and sell goods on the website. In 2008 Amazon penetrated into the cinema and is currently sponsoring the film "The Stolen Child" with 20thcentury Fox.

DEFINITION OF E-COMMERCE

Electronic commerce or EC -- is the buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, primarily the internet. These business transactions occur either as business-to-business, business-to-consumer, consumer-to-consumer or consumer-to-business.

Electronic commerce (e-commerce) is the marketing, buying and selling of merchandise or services over the Internet. It encompasses the entire scope of online product and service sales from start to finish. E-commerce tools include computer platforms, applications, solutions, servers and various software formats manufactured by e-commerce service providers and purchased by merchants to increase online sales.

Electronic commerce, commonly known as e-commerce, consists of the buying and selling of products or services over electronic systems such as the Internet and other computer networks.

The World Trade Organization defines e-commerce as, "e-commerce is the production, distribution, marketing, sales or delivery of goods and services by electronic means.

The Organization for Economic Co-operation and Development (OECD) defines e-commerce as commercial transactions, involving both organizations and individuals, that are based upon the processing and transmission of digitized data, including text, sound and visual images and that are carried out over open networks (like, the internet) or closed networks (like, AOL or Mintel) that have gateway onto an open network.

E-commerce (electronic-commerce) refers to business over the Internet. Websites such as Amazon.com, Buy.com, and eBay are all e-commerce sites. The two major forms of e-commerce are Business-to-Consumer (B2C) and Business-to-Business (B2B). While companies like Amazon.com cater mostly to consumers, other companies provide goods and services exclusively to other businesses. The terms "e-business" and "e-tailing" are often used synonymously with e-commerce. They refer to the same idea; they are just used to confuse people trying to learn computer terms.

LITERATURE REVIEW

E-Business probably began with electronic data interchange in the 1960s (Zwass,1996). However, (Melao, 2008) suggests that it was only in the 1990s, primarily via the Internet, that e-Business has emerged as a core feature of many organizations. In his opinion, the hope was that e-Business would revolutionize the ways in which organizations interact with customers, employees, suppliers, and partners. Some saw e-Business as part of a recipe to stay competitive in the global economy.

E-commerce can be defined as the conducting of buying and selling of goods and services as well as business communication and transactions over computer networks and through individual computers linked to the World Wide Web (Key IT Solutions, 2005). The potentials of e-commerce technologies applications in the construction industry include E-marketing; E-selling/e-procurement of goods and services; E-collaboration; E-finance; and E-customer services and relations (Veeramani et al., 2002).

The term “e-Business” has a very broad application and means different things to different people. Furthermore, its relation with e-commerce is at the source of many disagreements. (Melao,2008).

The necessary technological solutions for e-supply chain systems are readily available in the current market. Some of the fundamental issues for successful e-commerce in construction, such as signature exchange (Pederson, 1999; Asokan et al., 2000), secure payment (Shamir et al, 1998; Bellare et al., 2000), and fair contracting models (Coscia et al., 2000; Rohm & Pernul 2000; Liu et al., 2001) have already been addressed in broader business-to-business (B2B) projects. E-commerce applications have enhanced the development process operations of a project and promoted integration and operation through the shared information network system to diverse participants in the construction supply chain (Jones & Saad 2003).

Elizabeth Goldsmith and Sue L.T. McGregor (2000) analyzed the impact of e-commerce on consumers, public policy, business, and education. A discussion of public policy initiatives, research questions, and ideas for future research are given

Andrew D. Mitchell (2001) examined the key issues that electronic commerce poses for Global trade, using as a starting point the General Agreement on Trade in Services (GATS), the World Trade Organization (WTO) agreement most relevant to e-commerce.

Nir B. Kshetri (2001). This paper attempts to identify and synthesized the available evidence on predictors of magnitude, global distribution and forms of e-commerce. The analysis indicated that the twin forces of globalization and major revolutions in ICT are fuelling the rapid growth of global e-commerce.

Mauricio S. Featherman, Joseph S. Valacich & John D. Wells (2006) examined whether consumer perceptions of artificiality increase perceptions of e-service risk, which has been shown to hamper consumer acceptance in a variety of online settings.

Young Jun Choi¹, Chung Suk Suh (2005) examined the impact of the death of geographical distance brought about by e-marketplaces on market equilibrium and social welfare.

(Arvindpanagariya, 2000) examined Economic issues raised by e-commerce for the WTO and developing countries-commerce offers unprecedented opportunities to both developing and developed countries.

Internet and e-commerce are closely wrapped towards developed countries. But they can achieve tremendous benefits for developing countries if it is applicable as an ideal business purpose. E-commerce is a revolution in business practices (Ohidujjaman, et al 2013).

According to Alwyn Didar Singh, the biggest issue and fear in developing nations and their firms is not lack of knowledge and expertise in introducing and engaging E-Commerce but rather that of not engaging it, as a result of not

having a basic understanding and appreciation of its potentials, the framework of its operation and the multiplier effect on the economy in general as well as firms and workers in particular. The objective of this paper according to Alwyn Didar Singh is actually an attempt to tackle these issues.

OBJECTIVES OF STUDY

- To understand the current scenario of E-Commerce.
- To explore the historical background of E-Commerce.
- To define the Challenges of E-Commerce.
- To understand the benefits of E-Commerce.

RESEARCH METHODOLOGY

Research in common parlance refers to a search for knowledge. One can also define research as a scientific and systematic search for pertinent information on a specific topic. In fact, research is an art of scientific investigation. Research is more than a set of skills, research activity is a way of thinking, examining critical aspects, and understanding and formulating well define the procedure and developing testing new theories.

According to Clifford Woody, “Research comprises defining and redefining problems formulating the hypothesis or suggested solutions, collecting, organizing and evaluating data, making deductions and reading conclusions and at preceding testing the conclusion to decide whether they fit the formulating hypothesis”

The paper has been written on the basis of secondary data. The secondary data were collected from published books, journals, research papers, magazines, daily newspaper, internet and official statistical documents. The study is qualitative in nature.

RESEARCH QUESTIONS

- What are the benefits of E-commerce?
- Does any challenge affect the E-commerce?
- What is the real history of E-commerce?

LIMITATION OF THE STUDY

The biggest hurdle is time and money.

BENEFITS OF E-COMMERCE

Time-Saving: E-Commerce is the time-saving process. It saves a lot of time of people and gives the fastest services to customers.

No Time Constraints: There is no any limit to use this process. There are no any long-lasting problems in the uses of E-commerce.

Price/Product Comparison: This process always helps the customers to compare or differentiate the products quality and price with other products.

Cost Effective: It reduces the transportation cost and saves the time.

Boundary-Less (Global Location): E-commerce is a boundary-less process. There is no any limitation because it can be used globally.

Easy arrangement of products: Products can be arranged on the shelves within minutes. With an online store, it is quite easy.

Lowers Transaction Cost: E-commerce is much benefited to save the transportation cost and speedily makes arrangements of the products.

Flexible Target Market Segmentation: Target market segment here in e-commerce is malleable can be adapted any time.

Direct Communication with Consumer: This process can be accessed or communicate through social networking sites, online selling and advertising etc.

Enhanced Customer Interaction: Fast feedback and comment forms are the main features to interact with customers.

Simple and easier conversation of information: Expands information sharing among wholesalers and customers and enables prompt quick just in time deliveries.

Easy Transactions: Financial transactions through electronic fund transfer are very fast and can be done from any part of the world.

CHALLENGES OF E-COMMERCE

Attracting the Perfect Customer

Online shoppers don't shop the same way as they used to back in the day. They use Amazon to search for products (not just Google). They ask for recommendations on Social Media. They use their smart phones to read product reviews while in-store and pay for purchases using all sorts of payment methods.

Generating Targeted Traffic

Retailers can no longer dependent on one type of channel to drive traffic to their online store. They must effectively leverage SEO, PPC, email, social, display ads, retargeting, mobile, shopping engines and affiliates to help drive qualified traffic to their online store. They must be visible where their audience is paying attention.

Capturing Quality Leads

Online retailers are spending a significant amount of money driving traffic to their online store. With conversion rates ranging between 1percent to 3percent, they must put a lot of effort in generating leads into order to get the most out of their marketing efforts. The money is in the list. Building an email subscribers list is keys for long-term success.

Personalization

Modern e-Commerce thrives on delivering the best-personalized experience to their consumers. Managing a repository of customer data is a challenge in itself, added to that e-Commerce companies have to understand how to use that data. Delivering customized content in the form of advertisements, special offers etc. are some of the methods which can be employed.

Ease of Use and Technology

Ease of use and advancements in technology have given consumers more power and increased global competition in the e-Commerce sector. Omni-channel retailing is the way forward for e-Commerce. This places pressure on companies to deal with technical issues of running an online store like: server issues, bandwidth issues, dynamic IP address, data privacy and security issues.

CONCLUSIONS

The e-Commerce industry in India is growing at a remarkable pace due to the high penetration of internet and sophisticated electronic devices. However, the recent growth rate of e-Commerce in India is far lagging behind than other developed countries. Today, e-commerce has some benefits as well as disadvantages. It faces lots of challenges today. People are becoming technology oriented and know the importance of technology.

According to recent data, e-Commerce spending has risen to \$2.1 trillion in the past few years and will reach \$5 trillion by 2020. Such rapid development promises a great future for the Indian e-commerce industry portentous a strong market and improved customer demand. Despite these progress trends, many e-commerce businesses fail to take off within their first year. It is worth discovering the various experiments which the e-commerce industry faces today. E-commerce in spite of opportunity, hoopla, and hype, also bears the connotations of challenges as well at the same time.

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