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1.1.7.2. Electronic Data Interchange (EDI)

The use of invoice and printed orders can be avoided by the use of EDI. Trade transactions can be communicated directly from one computer to another by the use of standardised systems (provided by EDI) that codes trade transactions. When an organisation is making large number of transactions at a regular basis then EDI is most suitable for them. Large supermarket is one such sector that uses EDI very extensively for transactions with traders.

EDI has been implemented in many organisations in order to further increase efficiency and increase profits. EDI provides the following benefits:

- 1) Improved inventory management,
- 2) Improved accuracy,
- 3) Minimise paper usage and storage, and
- 4) Reduce cycle times and costs.

EDI is used for regular repeat transactions (figure 1.6):

It takes quite a lot of work to set-up systems to send and retrieve EDI messages and, in general, it is not applicable to one-off exchanges. Also EDI is a formal system and it does not really have a place in the search and negotiation phases (although there have been attempts to formulate messages for this purpose).

EDI, when initially introduced was seen by many as a universal, or atleast a generalised, form of trading. In the event its adoption has been limited to a number of trade sectors where the efficiency of the supply chain is of vital importance – the word limited is used above but that limit covers a vast number of transactions.

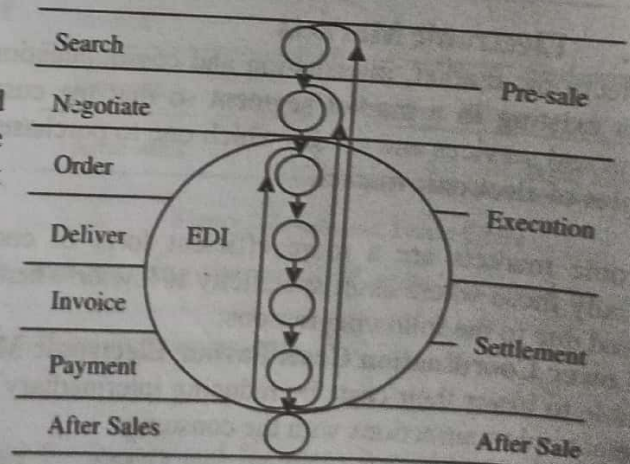


Figure 1.6: EDI and Trade Cycle

1.1.7.3. Internet Commerce

A wide range of goods and services can be advertised and sold with the help of information and communication technology which is characterised by the commercial use of the internet. A person can purchase books by the use of Internet and these will be delivered to him either by post or booking of tickets. These can be received by clients at the venue of event.

This form of e-commerce may give its customers credit facilities but is typified by the 'cash' trade cycle (where a "cash" payment is taken to include settlement at the time of purchase by a credit card or some form of e-cash), **figure 1.7.**

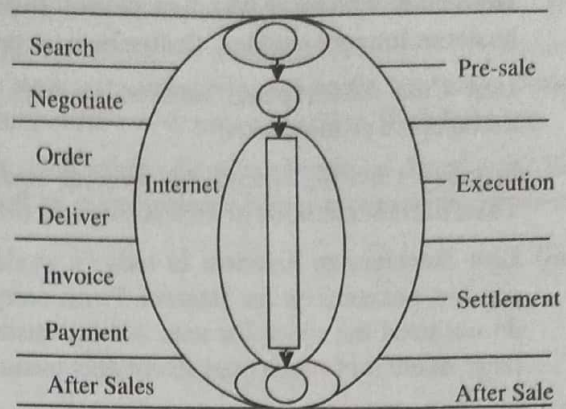


Figure 1.7: Internet and the Trade Cycle

The internet can be used for all or part of the trade cycle:

- 1) The first stage of the trade cycle is search and the facilities of the internet can be used to locate sites offering, or advertising, appropriate goods or services; a function, that is similar to an electronic market. In many instances, internet sites offer only information and any further steps down the trade cycle are conducted on the telephone or at a conventional shop outlet.
- 2) An increasing number of sites offer facilities to execute and settle the transaction, or in normal jargon to make a purchase – delivery may be electronic or by a home delivery service depending on the nature of the goods or service being offered. The use of the internet for online purchasing may or may not follow a search – publishing a website address is an increasingly common feature on conventional advertising.
- 3) The final use of internet e-commerce is for after-sales service. Many IT providers now offer online support and online services such a banking are, arguably, a special case of the use of after-sales transactions. Again the use of the internet for after-sales may or may not be a follow-on to an earlier online transaction.

1.1.8. Advantages of E-Commerce

The advantages/benefits of e-commerce can be divided into two categories:

1) Advantages to Customers

- i) **Reduced Prices:** The products available on websites have reduced prices because the different stages of value chain are decreased between source and destination. The intermediaries such as retail store are eliminated by the company and they sell their products to consumer directly instead of distributing through intermediaries.
- ii) **Global Marketplace:** E-commerce provides global marketplace from where consumers can purchase products according to their needs situated anywhere in the world.

According to World Trade Organization (WTO), "there are no custom duties put on products bought and traded globally electronically".

Global Marketplace also provides large collection of products and services to consumers with their prices.

- iii) **Anytime Access:** Online businesses are open 24 hours, 7 day a week and 365 days in a year and never sleep. Consumers can do transactions and enquiry about any product/services provided by company at anytime and anywhere from globe. Consumer can purchase any product in day or night using Internet connections and computer at single click of mouse.
- iv) **More Choices:** Online businesses provide their consumers more choices of purchasing. Before purchasing any product, consumer can study products and their features of all major brands.
- v) **Quicker Delivery:** E-Commerce offers consumer more options and provides quicker delivery of products and services. Some e-commerce company provides free home delivery service to their consumers.
- vi) **Relevant Information:** E-commerce provides relevant and detailed information about products and services within seconds to its consumers. Consumer can compare products and their prices in easy manner.

2) Advantages to Businesses

- i) **Increased Potential Market Share:** Businesses are increasing their market share by making their business Internet enabled. Online businesses are accessed at any time to international markets.
- ii) **Low-Cost Advertising:** Internet provides low cost advertisement as compared to advertisement on newspapers or television.

In today's world, Internet has become inexpensive advertising medium used by firms for commerce. The different methods of advertising are: e-mail, banners, pop-ups, streaming video and audio etc.

- iii) **Low Barriers to Entries:** In today's world, small and large firms have opportunities to start up and conduct business on the Internet. Firms entry cost to the Internet is minuscule (very small) because they do not need the space for rent. All the business over Internet are virtual means that there is no need of large number of employees to conduct business.

- iv) **Strategic Benefit:** E-commerce enabled business have many strategic benefits because they:

- a) Reduces cost of mail preparation, document preparation and data entry.
- b) Finds errors easily
- c) Lowers cost of calling over telephone
- d) Lowers delivery time and labour costs.
- e) Lowers data entry and management expenses

- v) **Global Reach:** E-commerce enabled business has ability to reach globally at low cost. They are able send messages world-wide at any time. Since online businesses are globally accessed so e-commerce helps to attract new consumers and business clients from anywhere in the world.