1.7 THE BENEFITS OF E-COMMERCE

Few innovations in human history encompass as many potential benefits as E-Commerce does. The global nature of the technology, low cost, opportunity to reach hundreds of millions of people, interactive nature, variety of possibilities, and resourcefulness and growth of the supporting infrastructure (especially the web) result in many potential benefits to organizations, individuals, and society. These benefits are just starting to materialize, but they will increase significantly as E-Commerce expands. It is not surprising that some maintain that the E-Commerce revolution is just 'as pro- found as the change that came with the industrial revolution.

Benefits to Organizations

The benefits to organizations are as follows:

- Electronic commerce expands the market place to national and international market with minimal capital outlay, a company can easily and quickly locate more customers, the best suppliers, and the most suitable business partners worldwide.
- Electronic commerce decreases the cost of creating, processing, distributing, storing, and retrieving paper-based information. For example, by introducing an electronic procurement system, companies can cut the purchasing administrative costs by as much as 85 percent.
- Ability for creating highly specialized businesses. For example, dog toys which can be purchased only in pet shops or department and discounts stores in the physical world are sold now in a specialized www.dogtoys.com (also see www.cattoys.com).

- Electronic commerce allows reduced inventories and overhead by facilitating "pull" type supply chain management. In a pull-type system the process starts from customer orders and uses just-in-time manufacturing.
- The pull-type processing enables expensive customization of products and services which provides competitive advantage to its implementers.
- Electronic commerce reduces the time between the outlay of capital and the receipt of products and services.
- Electronic commerce initiates business processes reengineering projects By changing processes, productivity of salespeople, knowledge workers, and administrators can increase by 100 percent or more.

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- Electronic commerce lowers telecommunication cost the internet is much cheaper than value added networks.
- Other benefits include improved image, improved customer service, new found business partners, simplified processes, compressed cycle and delivery time, increased productivity, eliminating paper, expediting access to information, reduced transportation costs, and increased flexibility.

Benefits to Consumers

The benefits of E-Commerce to consumers are as follows:
- Electronic commerce enables customers to shop or do other transactions 24 hours a day, all year round, from almost any location.
- Electronic commerce provides customer with more choices; they can select from many vendors and from many more products.
- Electronic commerce frequently provides customers with less expensive products and services by allowing them to shop in many places and conduct quick comparisons.
- In some cases, especially with digitized products, E-Commerce allows quick delivery.
- Customers can receive relevant and detailed information in seconds, rather than days or weeks.
- Electronic commerce makes it possible to participate ate in virtual auctions.
- Electronic commerce allow customers to interact with other customers in electronic communities and exchange ideas as well as compare experiences.
- E-commerce facilitates competition, which results in substantial discounts..

Benefits to Society

The benefits of E-Commerce to society are as follows:
- Electronic commerce enables more individuals to work at home and to do less traveling for shopping, resulting in less traffic on the roads and lower air pollution.
- Electronic commerce allows some merchandise to be sold at lowest prices, so less affluent people can buy more and increase their standard of living.
- Electronic commerce enables people in third world countries and rural areas to enjoy products and services that otherwise are not available to them.
- Electronic commerce facilitates delivery of public services, such as health care, education, and distribution of government social services at a reduced cost and/or improved quality. Health care services, e.g., can reach patients in rural areas.

1.8 THE LIMITATIONS OF E-COMMERCE

The limitations of E-Commerce can be grouped into two categories which are:
- Technical limitations and
  - Non-technical limitations

Technical Limitations of E-COMMERCE

The technical limitations of E-Commerce are as follows:
- There is a lack of s stem security, reliability, standards and communication protocols.
- There is insufficient telecommunication bandwidth.
- The software e development tools are still evolving and changing rapidly.
- It is difficult to integrate the Internet and E-Commerce software with some existing applications and databases.
- Vendors may need special Web servers and other infrastructures in addition to the network servers.

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- Some E-Commerce software might not fit with some hardware or may be incompatible with some operating systems or other components.
- As time passes, these limitations will lessen or be overcome; appropriate planning can minimize their impact.

Non-technical Limitations

Of the many non-technical limitations that slow the spread of E-Commerce, the following are the major ones:

Lack of Awareness

The biggest challenge before successful e-commerce over the Net is that of changing the minds and attitudes of the merchants in tune with the emerging information technology. Further, optimism and strategic business projections are required. If e-commerce has to be an alternate means of doing business in India, a new awareness is needed, something that would cut through the hype and U.S. look alike.

Most of the business people do not understand the significance and implications of the electronic business medium or are unsure of the quality and delivery schedule, physical delivery of goods and mode of payment. Lack of awareness of the technology and its potential benefits are also equally responsible for the poor growth of e-commerce. Lack of interest and willingness to make a paradigm shift has become a crucial issue. Many companies are not willing to accept that their businesses need a revolutionary change to subsist in the potentially digital world. In short, information technology should not be looked upon as an end but as a means to achieve overall development. The IT sector is people intensive, ensuring vast employment opportunities.

The single most important challenge today pertains to increasing awareness of the benefits of e-commerce to potential customers, educate the market and the customers will themselves opt for these services. So, the e-commerce fraternity should accept the fact that the customers are extremely demanding and that they should be geared up towards this end and surpass the expectations of customers. .

Lack of Infrastructure

E-commerce infrastructure development is at its infancy stage in India. This unsatisfactory development is yet another major bottleneck for successful net business in India. The lack of infrastructure, if made available as required, will ensure that the investment in e- commerce starts flowing in because the business is happening and infrastructure will grow. To improve the country's wide infrastructure, major players must come forward to contribute their pie of technology. All the infrastructure framework needed for virtual e-commerce has not been there from the very beginning when it was started, there was a cry for the real shape of the virtual infrastructure for initiating successful e-commerce. This high cost of infrastructure development for e-business is also including the cost of leased lines.

Lack of Confidence

The people in India still show hesitancy in buying through the Net. Lack of quality products, timely delivery of products as some of them tend to go out of stock, lack of solutions security are the potential reasons for not developing e-commerce. People do not understand this new way of buying and selling products, i.e. the services in a digital environment which are available online.

Skeptic Attitude

Though the Internet is continuing to grow at a rapid rate, along with e- commerce transactions, the shoppers are still skeptical about safety and have not been quick to trust sending personal information

such as credit card numbers or address over the Net. Lack of adequate imagination and understanding of what web-based technologies can do to markets and competition only adds to the delay in economic development. The old business habits are demanding and controlling the business. The risk adverse attitude of the people is conspicuous and waiting for others to lead is also another attitude.

Credit Cards Frauds

In India, distribution channels are just one part of the problem related to e-payments. The bigger problem is that of security. All credit cards related transactions are approved offline and given the high incidence of frauds, the banks are extremely wary of approving them. In-fact, there are some unconfirmed reports of a multi-national bank refusing to approve credit card transactions carried out by a large Indian portal.

Other drawbacks may include that the buyers are quite prepared to boot the real mail for e-mail. The e-tailers themselves are not yet ready to keep pace with the potential e-commerce and this brings us to another point. Although e-commerce has the ingredients of being successful, it may have come slightly ahead of its time. The e-commerce mechanism eliminates the need for intermediaries. Unfortunately, this also has negative effects. So, security needs to be extended to customers to gain their loyalty including substantial business.

Absence of Tax Laws

E-commerce over the Net has effectively eliminated national borders. This has posed an important question as to tax on the transactions over the internet. Net business posed many peculiar technological and legal problems making it difficult to impose tax and formulate a sound taxation policy. The following are the various tax implications of e-commerce:

• There is no fixed physical location for the internet.
• It is difficult to monitor or prevent transmissions of information or electronic cash across the Net.
• Neither the users, administrators nor intermediaries have any control on the type of information, either transactions or cybercash and traveling through their networks.
• There is no emphasis on national boundaries, and messages travel across the boundaries of several countries globally. So, it means no difference, whether the information or electronic money sought to be transmitted are within one jurisdiction or between several.
• A person's location and identity is necessary for tax purposes. Since these two are difficult, the anonymity on the Net would pose a big problem for taxations.
• Electronic commerce eliminates intermediaries or middlemen. Though it is an advantageous feature, it also has negative effects because they could have served as leverage points for collection of tax also as information sources for transactions entered by the customers.
• In addition to technology problems, certain legal hurdles may also be encountered with reference to international taxation laws.
• The difficulties in defining service incomes as distinguished from sale of products, income or royalties cannot be ignored. So, it is desirable that the Net be turned as a potential free trade zone.

Cyber Laws

Another important problem is lack of comprehensive cyber laws so as to ensure safety and protection. There should not be any legal regulations, or barriers to faster and increased development of e-commerce. The crying need of the hour is urgent action to be taken by the Government to enact cyber laws including electronic fund transfer, and amendments of official Secrets Act.

Cyber laws are not in place. In other countries, the business community is moving fast ahead, and stringent government regulations are there. The technology is changing the business paradigm so fast; government's ability to proactively change the law is a very difficult task.

In addition to them, the fear regarding the security aspects of online transactions without proper government directives and the existing policy machinery contribute to cyber criminality. Adding to them, separate cyber laws and amendments are also required to many existing laws like Companies Act, Evidence Act, Copyright Act, Bankers Book Evidence Act, Indian Penal Code, Contract Act etc. The country entered into a cyber space and documents through the computers should be made acceptable in a court of law. This is actually a big hurdle on the way which would solve one big hurdle for the business-to-business and business- to-customers e-commerce segment.

Stock Dilemma

Many people are not too happy with e-commerce trends. Though online shopping may be growing but so is frustration with it. A key source of dissatisfaction is the out of stock dilemma. In most cases, advertised products or services are not available. The options of feedback and not receiving suggestions are also reasons for annoyance. Many online consumers want more detailed information on their purchases but are not available. The Net is becoming more main-stream and the expectations are also becoming more mainstream.

Lack of True Strength

The presence on the web alone will not always ensure successful e-commerce. Having a website or dot com is no longer a novelty and merely setting up a website will not help companies in increasing the volume of business. They must accept the true strength of this new electronic medium of business and its potential for improving efficiency in extending services to the consumers.

There are many people who are connected to the internet but cannot browse the web and they are only availing the e-mail facility for communication.

Lack of Skills and Expertise

Lack of skilled and trained personnel impedes the growth of implementation of IT related e-commerce. The use of the Net for trade requires a complex introduction of servers, browser software and knowledge of web design, hosting, promotion and many more skills. It requires understanding many new things. Many Indian businesses are not prepared to approach electronic commerce. For many business houses for which commerce over internet may not work, would take a lot of efforts for every little return.

Internet Outrage

Failures in networks and the Net itself can play havoc. We read of frequent press reports of internet outrages. The IT industry is not yet attempting to improve network reliability to prevent these outrages. Reliability is a major issue in net business that needs to be attended.

Though worldwide, many business people looking at e-commerce as a blessing, many people also perceived the cyber space as a threat. There are also reported evidences of enforcing new censorship regimes to prevent cyber crimes.

Absence of Cyber Brand Image

Another problem is that advertising an the Net tends to focus on e-commerce rather than on brands found in the real world. This would prove to be a deterrent in ensuring consumer loyalty.

The biggest thing going for it is a brand image and power. Though the already existing name is known and trusted, the issue is how to extend it into the new cyber reality. A concern should be to preserve

the old values of trust and dependability of the brand, and at the same time, keep it upon on the Net. At the same time, the whole business structure will have to undergo a change re-engineered.

Inadequate Government Role

The government is not taking a serious view of e-commerce related information technology in terms of its promotion. Spreading awareness, imparting education, of the benefits of e-commerce, enacting new cyber laws, amendments to existing commercial laws, developing strong, communication infrastructure are the key domestic roles for the government to play. A very small portion of PC owners, non-owners who are aware of e-commerce perception and about the Internet is there which is being identified as the source of information, communication, learning and entertainment, but relatively few amongst them feel that it is a source of purchasing products or services. Government is not playing an active role by enacting different comprehensive cyber laws, bringing amendments to the existing business laws, not formulating a favourable IT policy and not making positive intervention when needed and ensuring adequate infrastructure. The existing negative business environment for development of new IT and telecom technologies cannot be ignored. Technology/solutions providers, special bodies and organisations are not taking suitable steps to educate Indian traditional business persons and customers in the area of e-commerce.

No Emphasis on Commercial Exploration

E-commerce is not so popular and widespread in India rapidly because of several bottlenecks like content migration. Most of the PC users surf the Net for information rather than potential commercial transactions. This means that the market for this migrated content is very large. Many owners use the Net for learning, education, games and entertainment. To convince e-consumers, e-merchants will have to do a lot of education. Many business houses evidently do not come forward to leverage on some projects in the electronic commerce spectrum as it has already done at high speed overseas.

No Encouragement from Business Community

The business community is extremely an important sector to be targeted for the introduction of any technological innovations in business. It means it is the business community that sustains e-commerce and greatly influences the thinking and adoption process of various segments of the society to move forward in the field of information technology. It motivates the people who share the courage and conviction to move the new business paradigm.

Preferring Foreign Sites

Online shoppers in India do not prefer Indian websites to a large extent and prefer US and other foreign websites. There are many reasons for this as they provide better selection, prices, stock, quality products, shipping, payment process security, customer service and wide variety of sites among other things.

Inactive Indian Software Houses

Software houses particularly in India are not devoted to ensuring strong expertise in the supply chain and distribution management solutions. Efforts are lacking to ensure strategic working on development of systems which will provide a comprehensive open-e-business solutions environment, comprising of enterprise applications, internet applications and service and a special technology to enable companies to participate in the emerging online economy.

Technology is in abundance. The hardware and software makers are yet to work out strategies to ensure e-business privacy and security solutions to Net users in India. The technologists who are out of touch with the market, customers and competition need to work out options and set business strategies.

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Cyber Competition

It is becoming clearer that cyber structure is not enough to support cyber growth. Such a growth rate needs proper planning and world class global supply chain parameters. The profit strapped, not-struck cyber entrepreneurs have no vision and invest money on this.

One should not forget about low entry barriers, and as a result, cyber competition is perhaps more fierce. Cyber competition needs improvement in better contents, faster delivery of services and online support. It is a great task to pacifying angry live customers and then think how difficult it is to e-reassure a lost one. This means again more investment and more capitalization which is further from break-even.

Difficulty of Reengineering

The web business structure will have to undergo a drastic change and be reengineered. It is not just about having a website or about sticking a web address on conventional advertising or transferring a few people to a new division and designation. It is about breaking free and creating new web services to satisfy the existing customers.

Internet for Small Business

Another problem is that for major project, a large consumer product company needs profiling of customers who undertake transaction through e-commerce.

E-commerce is still being dominated by large corporations. Small and medium sized business houses have to take advantage of everything on the Net. Online shopping is clearly catching on with consumers and retailers need to keep pace with growing demands.

Blocking and Censorship

People worldwide are under virtual slavery. It has been ISS reported in some media that many countries are blocking their citizens from accessing the Net, either partially or wholly. Censorship is enforced by some countries by stopping either a total ban on the Net or controlling the access traffic or installing filters blocking access to websites. Indian citizens enjoy unprecedented degree of freedom of speech and therefore may constitute a threat to the government. Development in any field may prove detrimental if it does not appreciate the code of ethics.

Infant Stages

Electronic commerce is still in its infant stage. Indian commerce is establishing itself in the area of internet business. The concept of e-commerce is still in evolutionary stage, it is a job that still needs to be defined. The IT function has not grown beyond the marketing department and credit cards, merchant accounts, digital signatures and prompt payment and one has to realize that the e-commerce role is more about harnessing technological resources to deliver profits to the Net users. Only a few Indian big houses have gone online to explore the potentials of e-commerce.

E-commerce has yet to take off in India, because Indian consumers are wary of leaving their re credit card numbers on the Net. They eye the neighbourhood shopkeeper with suspicion and drive a hard bargain. So, e-commerce websites are losing thousands of customers.

1.9 KEYWORDS