

# E-COMMERCE AND BUSINESS STRATEGY IN AN ELECTRONIC AGE

## 1.1. ELECTRONIC COMMERCE

### 1.1.1. Introduction

Electronic Commerce commonly known as E-commerce or eCommerce which denotes different types of transactions involved in commercial activities. It contains both organizational as well as individual activities which include the processing and transmission of digitised data such as text, pictures, sound and video etc.

E-commerce has developed a new environment with the help of Internet in business transactions and processing. Here information is provided direct to the consumers about the products they want to buy, and the platform is set for product advertisements. It also permits negotiations, order for raw materials, settlement of financial transactions etc.

Electronic commerce is a combination of communication services, data management and security mechanisms which provides a platform to organizations where they can share information about the selling of goods and services.

- 1) **Communication Services:** Electronic transfer of information from buyer to seller is supported by communication services.
- 2) **Data Management:** It is exchange and storing of data in a constant format which enable easy exchange of information.
- 3) **Security Mechanisms:** Security mechanisms provides following functions:
  - i) Authenticates the source of information and
  - ii) Guarantees the integrity and privacy of information.

E commerce covers many services over the Internet for example, customer service, banking, billing, marketing, retailing, secure distribution of data, corporate sector purchasing and other value-added services.

### 1.1.2. Meaning and Definition

The term e-commerce refers to all types of business operations and transactions that are executed through Internet and other electronic technologies.

"E-commerce is a virtual business environment in which information moves electronically via Internet related to buying, selling, transportation of goods and services".

**According to P.T. Joseph,** "E-Commerce comprises core business processes of buying and selling, goods, services and information over the internet".

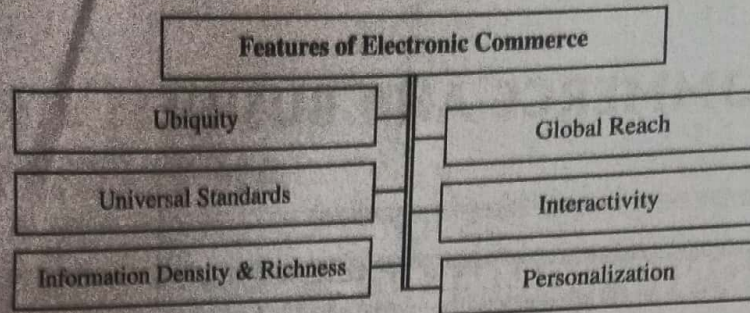
**According to Kalakota and Whinston,** "Electronic Commerce can be defined from following four perspectives:

- 1) **Communications Perspective:** Electronic commerce is the delivery of information, products/services, or payments via telephone lines, computer networks, or any other means.
- 2) **Business Process Perspective:** Electronic commerce is the application of technology toward the automation of business transactions and workflows.
- 3) **Service Perspective:** Electronic commerce is a tool that addresses the desire of firms, consumers, and management to cut service costs while improving the quality of goods and increasing the speed of service delivery.
- 4) **Online Perspective:** Electronic commerce provides the capability of buying and selling products and information on the Internet and other online services."



### 1.1.3. Features of Electronic Commerce

Following figure shows the features of electronic commerce:



- 1) **Ubiquity:** E-commerce is widespread, that is, it is available everywhere always. It sets free market from being restricted to a physical space and makes it possible to shop from computer (such as desktop, laptop). The result is called a **market space**.

For consumers, ubiquity cuts transaction costs for exploring products in a market. Consumers can acquire any information whenever and wherever they want, regardless of their location. It is no longer necessary that buyer spend time and money for traveling to a market. In all, it saves the cognitive energy needed to transact in a market space.

- 2) **Global Reach:** E-commerce technologies enable a business to easily reach across geographic boundaries around the earth far more conveniently and effectively as compared to traditional commerce. Globally, companies are acquiring greater profits and business results by expanding their business with e-commerce solutions. As a result, the potential market size for e-commerce merchants is approximately equal to size of online population.
- 3) **Universal Standards:** Universal Standards are standards shared by all the nations around world. These are technical standards of Internet for conducting e-commerce. It gives all the ability to connect at the same "level" and it provides network externalities that will benefit everyone. Universal technical standards lower entry costs and minimal search costs.
- 4) **Interactivity:** E-commerce technologies permits two-way communication between customer and sellers which makes it interactive. It proves as significant feature of e-commerce technology over the commercial traditional technologies of the 20<sup>th</sup> century.
- 5) **Information Density:** Information density means total amount and quality of information available over Internet to all market buyers and sellers. Internet vastly increases information density.

Information density offers better quality information to consumer and merchants. E-commerce technologies increase accuracy and timeliness of information. **For example**, flipkart.com store has variety of products with prices.

- 6) **Richness:** Richness refers to the complexity and content of a message. Richness means all commercial activity and experience, conducted through a variety of messages. **For example**, text, pictures, videos, sound, links, SMS (Short Message Services) etc.
- 7) **Personalization:** E-commerce technology offers personalization. Personalization means designing marketing messages according to particular individuals by customizing it as per customer personal details like name, interests and past purchases record. Products or services can be modified or altered according to the user's choice or past buying record.