<div align="center"><u>**Ans No:-1**</u></div>

<u>Introduction to Commerce</u>

- Commerce is basically an economic activity involving trading or the buying and selling of goods.

  For e.g. a customer enters a book shop, examines the books, select a book and pays for it. To fulfil the customer requirement, the book shop needs to carry out other commercial transactions and business functions such as managing the supply chain, providing logistic support, handling payments etc.

  As we enter the electronic age, an obvious question is whether these commercial transactions and business functions can be carried out electronically.

  In general, this means that no paperwork is involved, nor is any physical contact necessary. This often referred to as **<u>electronic commerce (e-commerce)</u>**. The earliest example of e-commerce is **electronic funds transfer**. This allows financial institutions to transfer funds between one another in a secure and efficient manner.

  Later, **electronic data interchange (EDI)** was introduced to facilitate inter-business transactions.

<u>E-Commerce</u>

- It includes electronic trading of goods, services and electronic material.

- "E-Commerce or Electronic Commerce, a subset of E-Business, is the purchasing, selling and exchanging of goods and services over computer networks (such as Internet) through which transactions are performed".

- "E-Commerce can be defined as a modern business methodology that addresses the needs of organizations, merchants and consumers to cut costs while improving the quality of goods and services and increasing the speed of service delivery by using Internet".

- E-Commerce takes place between companies, between companies and their customers, or between companies and public administration.

- It is a general concept covering any form of business transaction or information exchange executed using information and communication technologies (ICT's)

FEW EXAMPLES OF E-Commerce are:

- Amazon.com, an online bookstore started in 1995 grew its revenue to more than 600$ million in 1998.
- Microsoft Expedia, an integrated online travel transaction site helps to choose a flight, buy an airline ticket, book a hotel, rent a car etc. in only a few minutes.

<div align="center">**Ans No:-2**</div>

Advantages of E-Commerce to Businesses
- **Increased potential market share**:- The internet enables businesses to have access to international markets thereby increasing their market share. Companies can also achieve greater economies of scale.
- **Low cost Advertising**:- Advertising on the internet costs less than advertising on print or television depending on the extent of advertisement. Advertising on the internet itself is less costly since there is less cost associated with it in terms of printing and limited television spots.
- **Low barriers to Entries**:- Anyone can start up a company on the internet. Start-up costs are a lot lower for companies since there is less need for money for capital.
- **Strategic Benefits**:- The Strategic benefits of making a business e-commerce enabled is that it helps reduce the delivery time, labour cost and the cost incurred in document preparation, data entry, error detection etc.

<div align="center">*(Next see from class notes)*</div>

Disadvantages of E-Commerce
- **Hidden Costs**:- Although buying online is convenient, the cost of this convenience is not always clear at the front end. For e.g. on-line purchases are often accompanied by high shipping and re-stocking fees, a lack of warranty coverage and unacceptable delivery times. In fact, too many e-commerce companies have developed a reputation of overcharging for shipping and handling.
- **Lack of Security**:- One of the main roadblocks to the wide acceptance of e-commerce by businesses and consumers alike is the perceived lack of adequate security for on-line transactions.
  For e.g. Consumers are growing increasingly worried about providing credit card information over the Internet.
  During the past few years, the press has been filled with reports about hackers breaking into e-business and stealing credit card information.
- **Lack of Privacy**:- Customers also worry about the privacy implications of data gathered by organizations of all types and sizes. Even at the simplest data level, sales information is stored in databases connected to web servers, thus exposing the information to cyber criminals. Because data gathering on the web is so easy, databases routinely contain information about customer purchasing habits, credit information and so on. In many cases, companies sell customer database information to marketing companies. In turn, the marketing companies engage in massive e-mail campaigns to attract new customers. It doesn't take long for the customer's email box to be filled with unwanted email (also known as Spam).
- **Network Unreliability**:- Although the Internet is designed to overcome the single point of failure problem, there have been several well-publicized incidents of

network failures during the past few years. Network reliability problems may be generated by such factors as:-

☐ Equipment failure in the network connection provider.

☐ Accidental problems caused by nature-such as lightning, floods, earthquakes that affect communication lines.

☐ Long response time due to increased network traffic or inadequate bandwidth.

• **<u>Low Service Levels</u>**:- Another common complaint about doing business online is the low level of customer service that online companies tend to provide. Although

technology has automated business transactions to a large extent, there remains a real need for the human touch. Therefore e-commerce websites must provide:-

☐ A pleasant and problem free pre-ordering and ordering experience. The website design is an important interface.

☐ Readily available easily used feedback options.

☐ Quick complaint resolution.

☐ Timely and low-cost shipping delivery to customers.

(Next see from class notes)