GLS UNIVERSITY

0302501 E-COMMERCE
UNIT– 3

What is E-commerce?

- Commonly known as Electronic Marketing.

- **“It consist of buying and selling goods and services over an electronic systems Such as the internet and other computer networks.”**

- “E-commerce is the purchasing, selling and exchanging goods and services over computer networks (internet) through which transaction or terms of sale are performed Electronically.

- **E-commerce is the use of the internet and the web to transact business.**

- More formally,digital enabled commercial transactions between and among organizations and individuals.

- E-commerce and digital marketing work together to breathe life into your business. They are complementary processes. Digital marketing brings attention to your brand. E-commerce allows you to actually sell.

History of E-commerce

- **1970s**: Electronic Funds Transfer (EFT)
  - Used by the banking industry to exchange account information over secured networks

- **Late 1970s** and **early 1980s**: Electronic Data Interchange (EDI) for e-commerce within companies
  - Used by businesses to transmit data from one business to another

- **1990s**: the World Wide Web on the Internet provides easy-to-use technology for information publishing.

Process of E-commerce

- A consumer uses Web browser to connect to the home page of a merchant's Web site on the Internet.
- The consumer browses the catalog of products featured on the site and selects items to purchase. The selected items are placed in the electronic equivalent of a shopping cart.
- When the consumer is ready to complete the purchase of selected items, he/she provides a bill-to and ship-to address for purchase and delivery

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- When the merchant's Web server receives this information, it computes the total cost of the order--including tax, shipping, and handling charges--and then displays the total to the customer.

- The customer can now provide payment information, such as a credit card number, and then submit the order.

Process of E-commerce

- When the credit card number is validated and the order is completed at the Commerce Server site, the merchant's site displays a receipt confirming the customer's purchase.
- The Commerce Server site then forwards the order to a Processing Network for payment processing and fulfillment.

Advantages of E-commerce

1.24x7 operation

2.Global reach

3.Cost of acquiring,serving and retaining customers

4.An extend enterprise is easy to build

5.Disintermediation

6.Improved customer service to your clients

7.Power to provide the 'best of both the worlds'

8.A technology based customer interface

9.The customer controls the interaction

10.Knowledge of customer behaviour

11.Network economics

1. 24x7 operation
2. Global reach
3. Cost of acquiring,serving and retaining customers:

   because of 24x7 operation and its global reach it is relatevily cheaper to acquire new customer over the net.

4. An extend enterprise is easy to build : The internet provides an effective way to extend the enterprise beyond the narrow confines of the organization. Tools like ERP(enterprise resource planning),SCM(suppy chain management and CRM (customer relationship management)

5. Disintermediation : One can directly approach the customers and suppliers , cutting down on the number of levels and in the process , cutting down the costs.

6. Improved customer service to your clients : Results in higher satisfaction and more sales.

7. Power to provide the 'best of both the worlds' : benifits the trditional business side by side with the Internet tool.

8. A technology based customer interface : Operationally , there is no direct human intervention during any transaction **,we have either face to face or screen to face** . thus 'screen-to-customer' interface in e-commerece market comes with a solution of reintroduce humans into the process, such as service representative available on demand for web users. If interface does not work properly it can effect the revnue of the organization.

9. The customer controls the interaction : The seller has much less power in the online environment due to the control and information flows that the online world puts in customer's hands
10. Knowledge of customer behaviour

Disadvantages of E-commerce

1. There could be software/hardware compatibility issue as some E-Commerce software may be incompatible with some operating system or any other component.

2. **Initial cost:** The cost of creating / building E-Commerce application in-house may be very high. There could be delay in launching the E-Commerce application due to mistakes, lack of experience.

3. **User resistance:** User may not trust the site being unknown faceless seller. Such mistrust makes it difficult to make user switch from physical stores to online/virtual stores.

4. **Security/ Privacy:** Difficult to ensure security or privacy on online transactions.
5. Lack of touch or feel of products during online shopping.
6. E-Commerce applications are still evolving and changing rapidly.
7. Internet access is still not cheaper and is inconvenient to use for many potential customers like one living in remote villages.

E-business

- Electronic Business (E-Business) is the administration of conducting any business using internet, extranet, web and intranet.
- This would include buying and selling of goods or services using commercial transactions conducted electronically along with providing customer or technical support with the help of the internet.
- E-business is similar to E-commerce but it is more than just a simple act of buying and selling services or goods online. It is the method of utilizing digital information and advanced communication technologies to streamline different business processes – from the initial to implementation phase.
- E-commerce is a part of e-business

What are The Key Differences Between E-Commerce and E-Business?

- E-Business is not limited to just buying and selling products or services. Whereas E-Commerce is the name of buying and selling products/services with the help of the internet.
- E-Commerce is a main part of E-Business
- There is no need for an E-Business to have a physical presence. If the company has physical offices along with their online business activities then it can be referred to as E-Commerce.
- E-Commerce supports any kind of business transaction related to money, but E-Business includes monetary and allied activities.
- E-Commerce needs the internet to be able to communicate with their online customers from all over the world. E-Business can use the internet, intranet and extranet to be able to connect with the parties.

E-Commerce and E-Business

E-Commerce may refer to conducting online transactions, E-Business encompasses all the business activities and services conducted using the web.

E-business Models

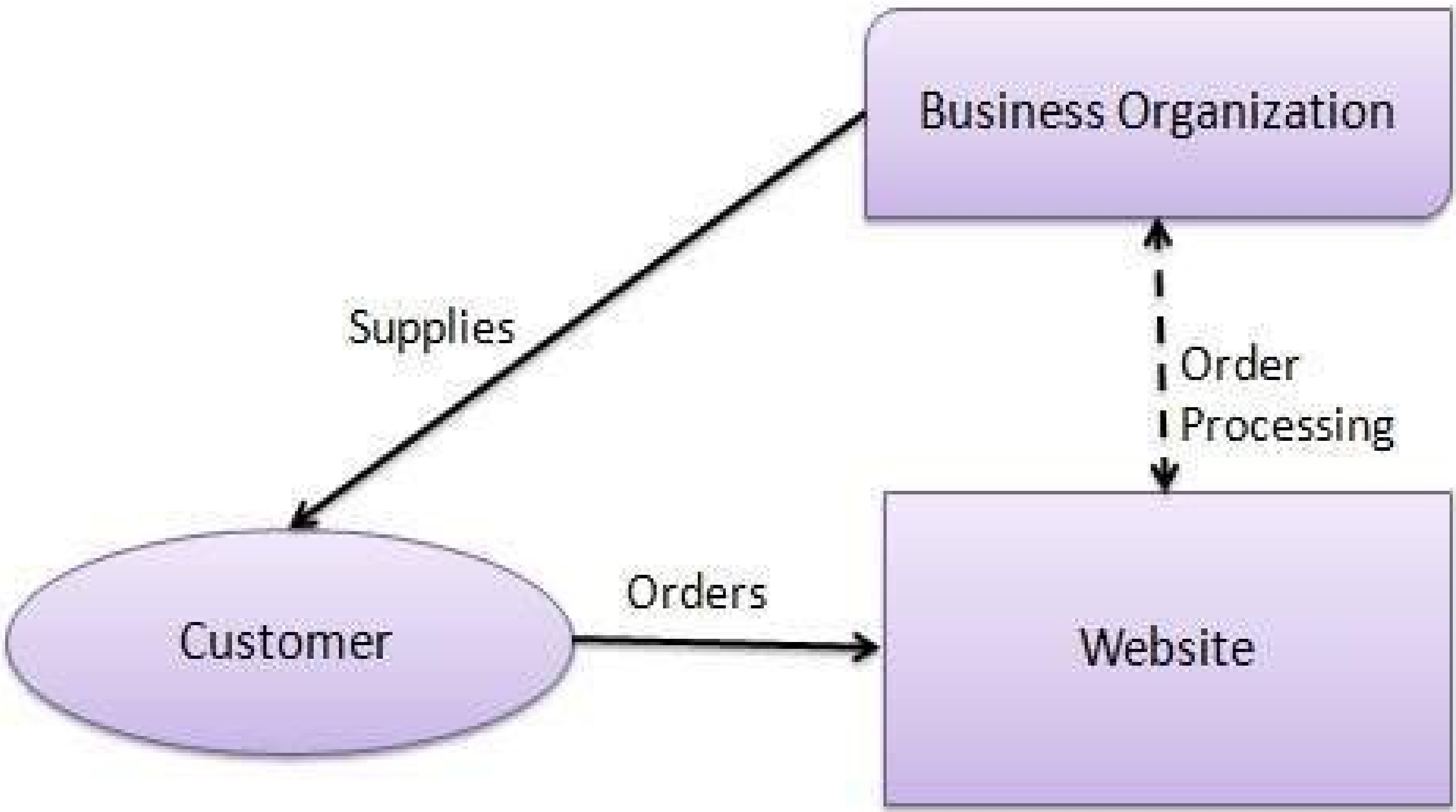
1.Business-to-Consumer(B2C)

1.Business-to-Business(B2B)

1.Consumer-to-Consumer(C2C)

Business-to-Consumer(B2C)

A website following the B2C business model sells its products directly to a customer. A customer can view the products shown on the website. The customer can choose a product and order the same. The website will then send a notification to the business organization via email and the organization will dispatch the product/goods to the customer.


Business Organization
Supplies
Order
Processing
Customer
Orders
Website

Business-to-Consumer(B2C)

Advantages of B2C :

1. Inexpensive costs, big opportunities
2. Globalization
3. Reduced operational costs
4. Customer convenience
5. Knowledge management

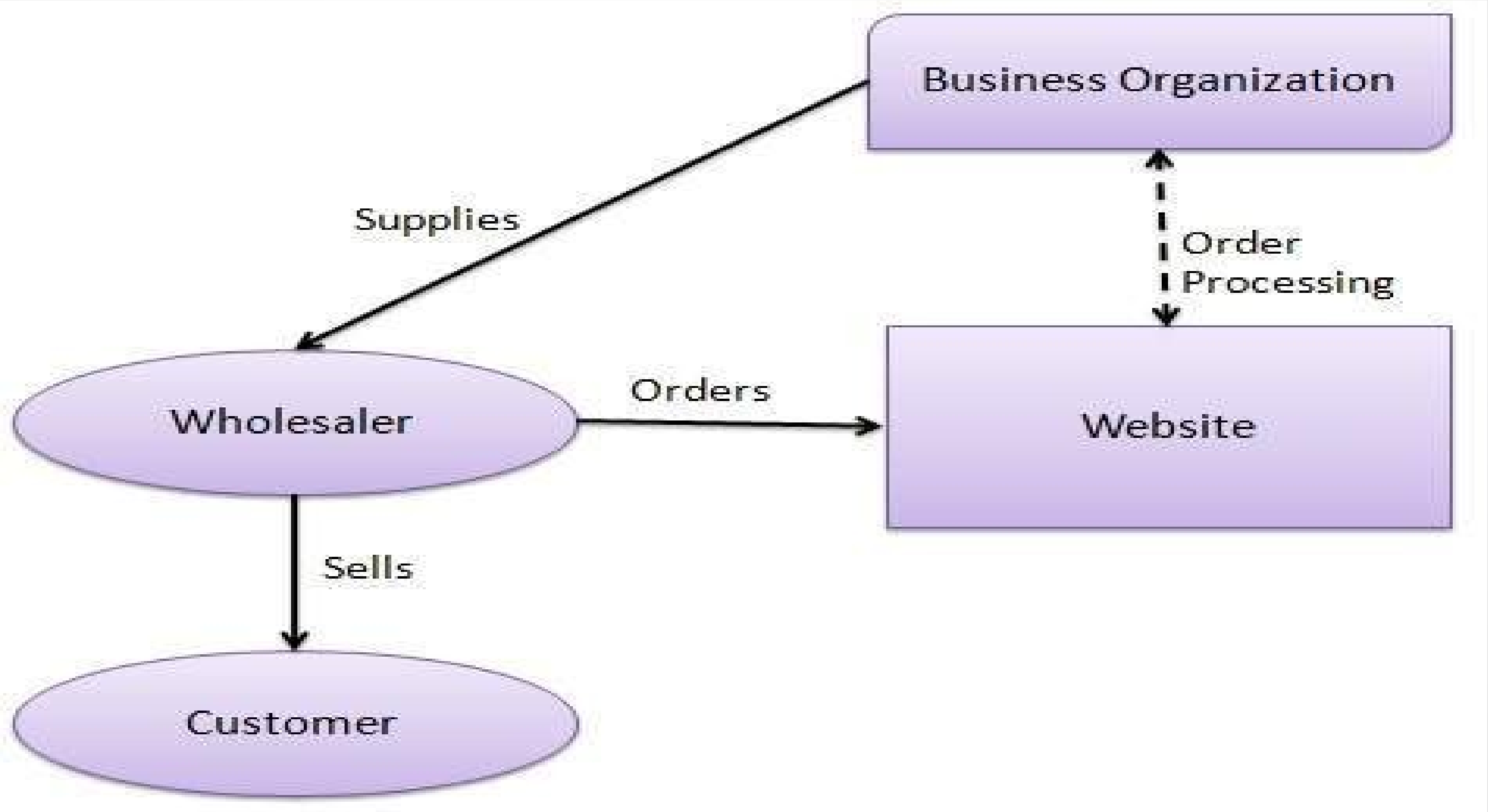
For example, Amazon was the first-ever B2C E-Commerce store.

Points of B2C Process

1. Visiting the virtual mall
2. Customer registers
3. Customer buys products.
4. Merchant processes the order
5. Credit card is processed
6. Operations management
7. Shipment and delivery
8. Customer receives
9. After-sales service

Business-to-Business(B2B)

A website following the B2B business model sells its products to an intermediate buyer who then sells the product to the final customer. As an example, a wholesaler places an order from a company's website and after receiving the consignment, sells the endproduct to the final customer who comes to buy the product at one of its retail outlets.


Business Organization
Supplies
Order
Processing
Wholesaler
Orders
Website
Sells
Customer

Business-to-Business(B2B)

Advantages of B2B

1.Direct interaction with customers
2.Focussed sales promotion
3.Building customer loyalty
4.Scalability
5.Savings in distribution costs

Example :

- Intel selling Microprocessor to Dell
- Heinz selling Ketchup to McD.

Business-to-Business(B2B)- Transactions

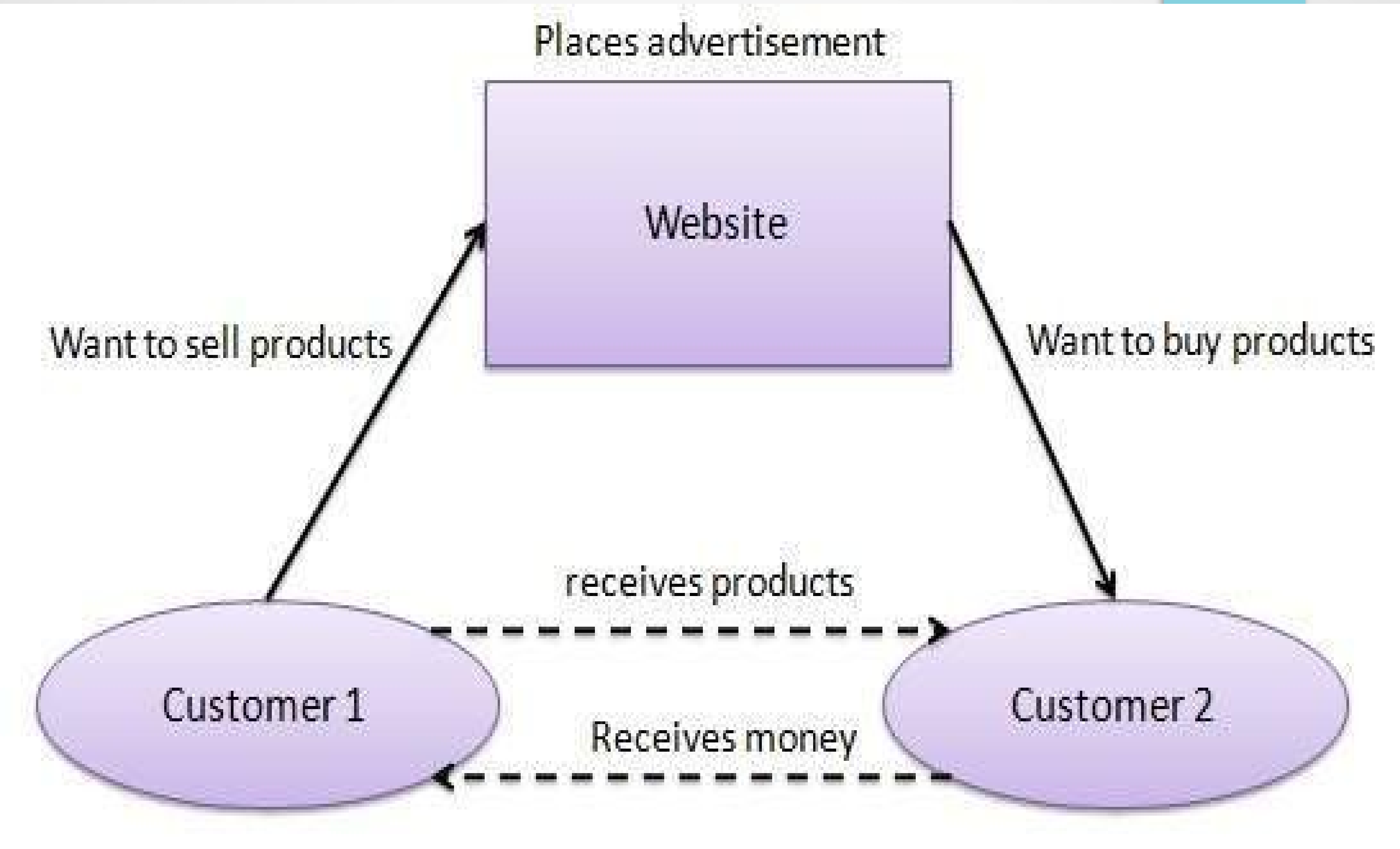
1. Review catalogues
2. Identify Specifications
3. Define requirements
4. Post request for proposals
5. Review vendor reputation
6. Select vendor
7. Fill out purchase orders
8. Send PO to vendor
9. Prepare invoice
10. Make payment
11. Arrange shipment
12. Organize product inspection and reception

Consumer-to-Consumer(C2C)

- C2C is simply commerce between private individuals or consumers.
- Consumer sell directly to other cosumers via
  - online classified ads and auctions
  - by selling personal services or expertise online.

Example :

- buying an iPod from eBay
- selling a Car to neighbour
- OLX


Places advertisement
Website
Want to sell products
Want to buy products
receives products
Customer 1
Customer 2
Receives money

E-Marketing

Traditional Marketing

- If marketing is whatever you do to promote the sale of your products or services, then it should **include**:

1. **Market research** – from competitive information-gathering to industry awareness to soliciting customer opinions and preferences
2. **Publicity from press** releases to the positioning of your company and its offerings in the marketplace
3. Advertising that is **text-based** and **graphic-based**
4. **Sales**, including distribution and merchandising
5. Customer **service** and customer **support**.

Traditional-Marketing

Problems associated with the Traditional Market:

1. Traditional Marketing is often **expensive**.
2. Traditional Marketing can be a very **time-consuming process**.
3. Traditional marketing often has a “**hit and miss**” quality.

What is E-Marketing

- Electronic marketing or E-marketing is the use of electronic media and applications to conduct marketing research and communication activities.
- The term electronic marketing initially served as an extension of "Internet marketing" to address the growth of mobile technology and digital applications used in marketing.
- The terms E marketing , Internet Marketing, Online marketing are interchanged and frequently can be considered synonymous

Features

- Internet marketing allows global marketing facility.
- It is less expensive.
- It makes marketing easier.
- It increases the choice of products,services and sellers.
- Vast availability of information.

Internet marketing tools

- It includes Websites, social media and online advertisement.
- Use of social media.
- Marketing plan.
- Social media is the latest marketing buzz,by both online and offline marketing experts way to reach customers.
- A properly designed website is one of the most important marketing tools that an E. Marketing needs, because through that the customer will get the attraction to visit again and again.

E-marketing value chain

Customer acquisition (Pre-purchase support)	Customer support (during purchase)	Customer fulfilment (purchase dispatch)	Customer support (post purchase)

e-marketing thrives with the maintenance of strong relationship between the company and the customer . It is like a chain - the company acquires customers , fulfills their needs and offers support (before and after purchase) , and gains their confidence so that they return to it again.

Site Adhesion

1. **Content**

   A customer accesses a website for the content of that site. Initially a customer will want to navigate quickly to gain a clear understanding of the site's progression to more detailed information.

2. **Format**
   - The format of an organization's site is important with respect to the customer's technical sophistication.
   - Vendors need to create a balance between information provision and information delivery speed.
   - The selection of data format is crucial, as initially the goal is to create viewer interest and engage the viewer in a prolonged interaction.

3. **Access**

   Online data access depends on the bandwidth requirement. The clear rule in the initial interaction phase is to use as minimal a bandwidth as is feasible to facilitate as wide as audience as possible.

Metrics Defining Internet Units of Measurement

To measure parameters associated with the web and websites we have to assess two things

1. Advertising – how many people saw our banner ad?
2. Visitation – how many people came to our site?

Metrics Defining Internet Units of Measurement

Click-through captures	How many users click through to the next stage in the customer acquisition process?
Time Spent	How long did the viewer stay at the site and which items, pages or routes did the viewer select to navigate through the site?
Time Spent searching	Did the viewer use the 'site map' or 'search' feature, and if so for what and for how long?
Time Spent before click-through	How long did a viewer linger in the opening stages of the interaction and where?
E-mails and telephone calls	How many e-mails or calls did this section generate and on what issues?
Registered users	If the site has a registration facility, what is the rate?

ADVANTAGES OF E- MARKETING

1. E- MARKETING offers bottom-line benefits that tie in directly to the demands placed on the organization trying to make a transition into the new economy.

2. E- MARKETING can save money and help to strech the market budget.

3. E- MARKETING can save time.

4. E- MARKETING gives customers another way to buy.

5. E- MARKETINGg can be information-rich and interactive.

6.E- MARKETING erases the time and distance barriera that get in the way of conducting business transaction with customer in other countries.

7. E- MARKETING can lower barriers to entry and offer equal opprtunity for access.

8. E- MARKETING can be continuosly available.

E-Advertisement

E-Advertisement, also called as Internet advertising, uses the internet to deliver the promotional marketing messages to consumers. It includes email marketing, search engine marketing, social media marketing, many types of display advertising (web banner advertising), and mobile advertising.

Online Advertising - What to Measure?

The performance metrics of Online Ad are as follows −

Clicks	It is the number of times viewer clicks the Ad. It can be taken as viewer’s acknowledgement to your Ad. It suggests that the viewer has seen the Ad and wants further information.
Impressions	It is the number of times your Ad is displayed on the web page.
Click Through Rate (CTR)	It is the ratio of Ad clicks to Ad impressions. The higher the CTR, the more relevant your Ad is.
Cost Per Click (CPC)	It is the amount advertiser pays for each click on the Ad. The number of clicks determines the amount of payment. The lower CPC is better.

Cost Per Thousand Impressions or Cost Per Mille (CPM)	It is the amount the advertiser pays for thousand clicks.
Return On Investment (ROI)	It is (Return – Investment) X 100. The higher ROI is better.

E-Marketing vs E- Advertising

- Digital Advertising is One Aspect of Digital Marketing
- Digital Advertising is an Activity While Digital Marketing is a Process
- Online Advertising is Based on Sales While Digital Marketing is Based on Audience Psychology
- Digital Advertising Makes Audiences Aware of a Brand While Digital Marketing Develops the Brand
- Digital Advertising is a Tool of Digital Marketing

Why Internet Advertisement?

- Ads can be updated any time with a minimal cost.
- Adscan reach large numbers of buyers all over the world.
- Online ads are frequently cheaper in comparison with television, radio, newspaper, or billboard ads.
- Webads can efficiently use text, audio, graphics, and animation.
- The audience for Internet advertising is growing rapidly.
- Web ads can be catered to a specific target.

E-Advertising

Various means of advertising

1. E-mail
2. Banners
3. Skyscrapers
4. Banner swapping
5. Streaming Video and Audio
6. Effectiveness Tracking
7. Mini-site, Pop-ups
8. Interstitials

- E-mail :because of its low cost and its ability to reach a wide variety of targeted audience.
- Banners : Commonly used form of advertising on the Inernet . Banner contains a short text or a graphical message to promote the product.
- Skyscrapers : Extra long skinny ads running down the right or left side of a website.
- Banner Swapping : Its a direct exchange of links between websites
- Streaming Video and Audio : companies and content networks insert ads for marketers into music and video clips as consumers listen to them.

- Effectiveness Tracking : It helps traditional advertiser to track the people where they go after seeing their ads.
- Mini-site, Pop-ups : These ads burst upon the screens. Mini-sites allow advertisers to market without sending people away from the site they are visiting.
- Interstitials : The sites where when it uploads , a new window will open in the browser from any other company , asking to apply aor purchase something from it . These windowsare called intersitials , and they demand your attention because and u have to click on it even to close the window.

It is estimated that the click through rates are as high as 5 percent.

E-branding

A known and respected brand name can present to potential customers, a powerful statement of quality value and other desirable qualities in one recognizable element.

Branded products ar easier to advertise and promote, because each product carries the reputation of the brand name.

E-branding

There are 3 Elements of Branding

Differentiation	In what significant ways is this product or service unlike its competitors?
Relevance	How does this product or service fit into my life?
Perceived value	Is this product or service good?

E - Payment

- E-payment system is the means of making payment and/or transaction for goods and services on an e-commerce website or electronic environment without any need to use cash or check. E-payment system is also known as online payment system.
- Normally e-payment is done via debit, credit cards, direct bank deposits, and e-checks, other alternative e-payment methods like e-wallets, bitcoin, cryptocurrencies, bank transfers are also gaining popularity.

E-payment Systems

Digital Payment Requirements

Criteria	Need for the Criteria
Acceptability	Payment infrastructure needs to be widely accepted
Anonymity	Identity of the customers should be protected
Convertibility	Digital money should be convertible to any type of fund.
Efficiency	Cost per transaction should be near zero.

Types of e-payment system

E-payments can be done in the following ways,

- **Internet banking** – In this case, the payment is done by digitally transferring the funds over the internet from one bank account to another. Some popular modes of net banking are, NEFT, RTGS, IMPS.
- **Card payments** – Card payments are done via cards e.g. credit card, debit card, smart cards, stored valued cards, etc. In this mode, an electronic payment accepting device initiates the online payment transfer via card
- **Credit/ Debit card** – An e payment method where the card is required for making payments through an electronic device.
- **Smart card** – Also known as a chip card, a smart card, a card with a microprocessor chip is needed to transfer payments.

- **Stored value card** – These types of cards have some amount of money stored beforehand and are needed to make funds transfer. These are prepaid cards like gift cards, etc.
- **Direct debit** – Direct debit transfers funds from a customer’s account with the help of a third party.
- **E-cash** – It is a form where the money is stored in the customer’s device which is used for making transfers.
- **E-check** – This is a digital version of a paper check used to transfer funds within accounts.

- **Alternate payment methods** – As technology is evolving, e-payment methods kept evolving with it (are still evolving..) These innovative alternate e-payment methods became widely popular very quickly thanks to their convenience.
- **E-walle**t – Very popular among customers, an E-wallet is a form of prepaid account, where customer's account information like credit/ debit card information is stored allowing quick, seamless, and smooth flow of the transaction.

- **Mobile wallet** – An evolved form of e-wallet, mobile wallet is extensively used by lots of customers. It is a virtual wallet, in the form of an app that sits on a mobile device. Mobile wallet stores card information on a mobile device. The user-friendly nature of mobile wallets makes them easier to use. It offers a seamless payment experience making customers less dependent on cash.

- **QR payments** – QR code-enabled payments have become immensely popular. QR code stands for ‘Quick Response’ code, a code that contains a pixel pattern of barcodes or squares arranged in a square grid. Each part of the code contains information. This information can be merchant’s details, transaction details, etc. To make payments, one has to scan the QR code with the mobile device.

- **Contactless payments** – Contactless payments are becoming popular for quite some time. These payments are done using RFID and NFC technology. The customer needs to tap or hover the payment device or a card near the payment terminal, earning it a name, ‘tap and go’.

- **UPI payments** – NPCI (National Payment Corporation of India) has developed an instant real-time payment system to facilitate interbank transactions. This payment system is titled UPI(Unified Payment Interface). Payments via UPI can be made via an app on a mobile device.

- **Biometric payments** – Biometric payments are done via using/scanning various parts of the body, e.g. fingerprint scanning, eye scanning, facial recognition, etc. These payments are replacing the need to enter the PIN for making transactions making these payments more accessible and easy to use.Eg: Pay By Touch,

- **Payments are done via Wearable devices** – Wearable devices are rapidly becoming popular among customers. These devices are connected to the customer’s bank account and are used to make online payments. An example of a wearable used for making an online payment is a smartwatch - Samsung Gear S3 , Apple Watch,LG Watch Sport

- **AI-based payments** – As machine learning and Artificial Intelligence is creating a revolution all around the world, AI-based solutions are becoming more popular. Payments based on AI such as speakers, chatbots, ML tools, deep learning tools, etc are making it easier for businesses to maintain transparency.

Credit card as e-Payment Systems

Credit cards have proved popular for a number of reasons :

1. The system is familiar to users and was widely used before the advent of e-commerce.
2. Transaction costs are hidden from users.
3. Payment is simple anywhere and in any currency.
4. The credit-issuing company shares the transaction risk.

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Disadvantages of Credit Cards

1..**High transaction cost** : Because of high transaction cost makes them impractical for small value payments.

2.Customer cannot be make P2P transactions. :They cannot be used directly by individuals to make payments to other individuals

3. Security

Smart Card Cash Payment System

- Smart card is again similar to credit card and debit card in apperance but it has a small microprocessor chip embedded in it.
- Smart cards can provide identification, authentication, data storage and application processing.
- Smart cards may provide strong security authentication for single sign-on (SSO) within large organizations
- Smart card is also used to store money which is reduced as per usage.
- Smart card can be accessed only using a PIN of customer.
- Smart cards are secure as they stores information in encrypted format and are less expensive/provides faster processing.
- Mondex and Visa Cash cards are examples of smart cards.

- Smarts cards are basically of two types
    - relatioship based smart cards
    - electronic purse
- Smart caard rely on the ubiquity of devices called smart card readers that communicate with the chip in a smart card.
- Smart card readers can be customized for specific environment.

Advantages and Disadvantages of Smart Cards

Advantages:

1. Atomic, debt-free transactions
2. Feasible for very small transactions (information commerce)
3. (Potentially) anonymous
4. Security of physical storage
5. (Potentially) currency-neutral

Disadvantages:

1. Low maximum transaction limit (not suitable for B2B or most B2C)
2. High Infrastructure costs (not suitable for C2C)
3. Not (yet) widely used

Smart Cards

- A **smart card**, is any pocket-sized card with embedded integrated circuits which can process data

- A smart card is about the size of a credit card, made of a plastic with an embedded microprocessor chip that holds important financial and personal information.

- This implies that it can receive input which is processed and delivered as an output

Smart card Processing :

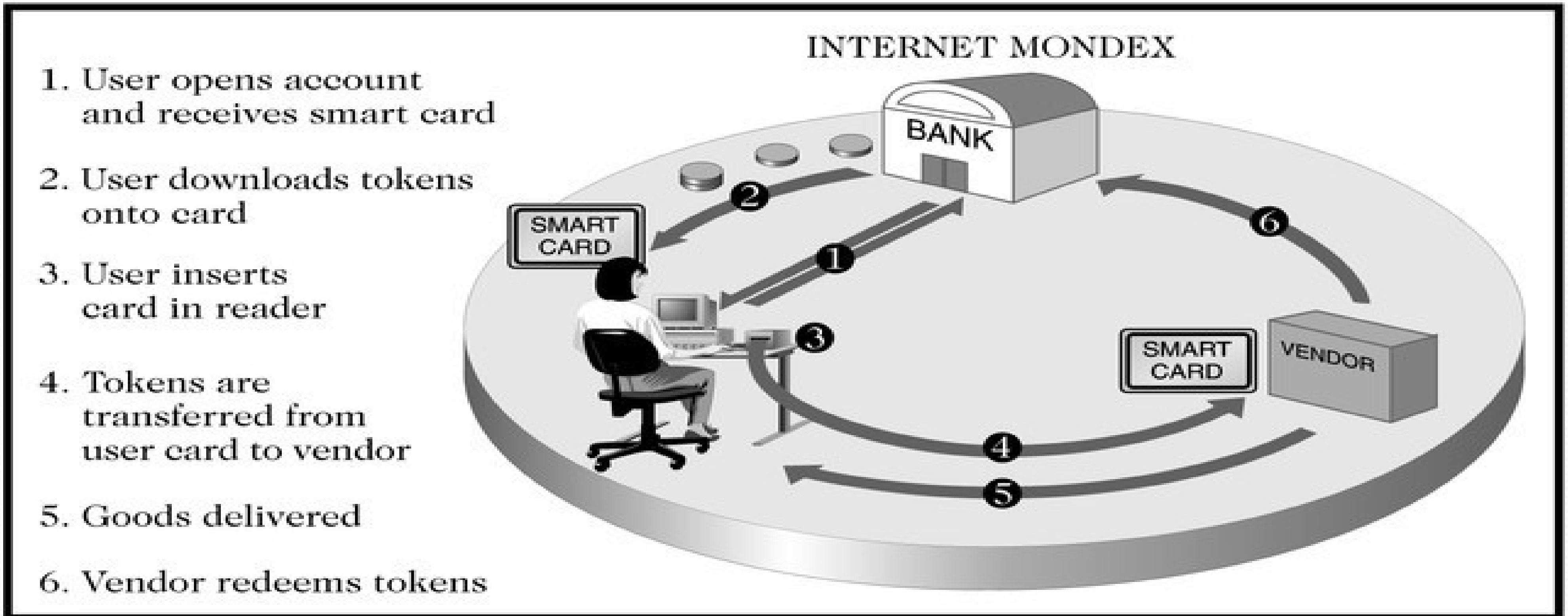


FIGURE 7-12 *Mondex smart card processing*

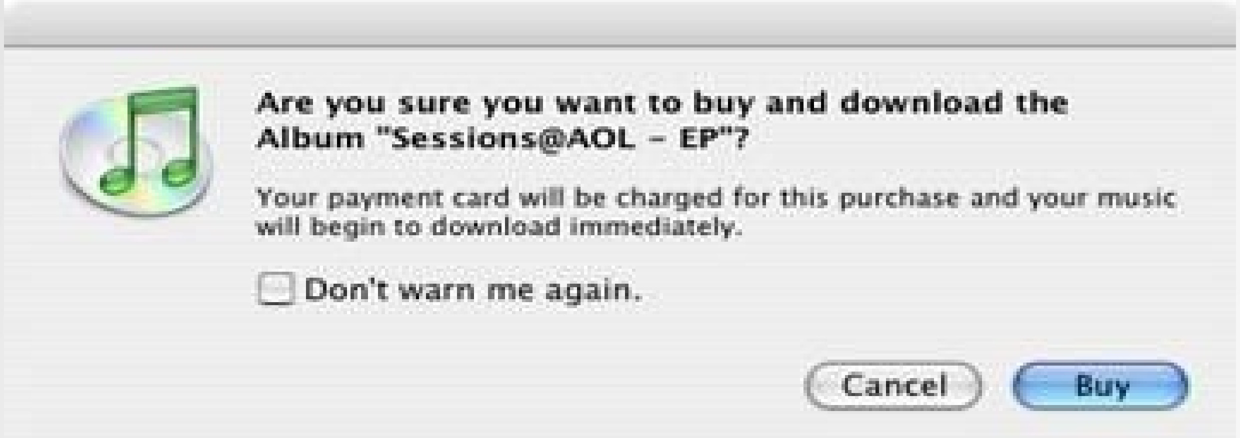
Micropayment Systems

- A micropayment is an e-commerce transaction involving a very small sum of money in exchange for something made available online, such as an application download, a service or Web-based content.
- Means to collect a small fee
- Impractical for companies to charge credit cards such nominal charges.

Where are they applied?

- Primarily used online for websites looking for an alternate route to subscription services.
- Must be suitable for the sale of non-tangible goods over internet. Such as iTunes and Google AdWords.

Examples of Micropayments



- CD’s and individual songs, as well as video can be purchased off iTunes, which uses a micropayment system to charge the user at the end of the week for the sum of charges.

- AdWords is an advertising system by Google that allows companies to advertise based off of keyword searches. The system charges on a sum of clicks rather than per click/hit of the website.

Digital Wallets

- Digital wallets or e-wallets allow customers to pay without having to carry their card. A customer just needs to link his/her bank account to the e-wallet once, following which the details are stored and remain secure inside that wallet.

- This eliminates the need to enter the card details every single time, hence encouraging a quick checkout. Some of the popular digital wallets are-

- **PayPal**

Having nearly 325 million active accounts worldwide as of the first quarter of 2020, PayPal is one of the biggest digital wallets. It is reported that over 17 million businesses have integrated PayPal on their payment page and has over 80% higher conversion rate than other digital wallets.

- **Amazon Pay**

Amazon launched its own online payment service called Amazon Pay to compete against the other digital wallets. This allows Amazon customers to pay on the platform using the Amazon pay wallet.

Many offline and online merchants have linked their business with Amazon Pay.

- **Apple Pay**

Similar to Amazon Pay, Apple also has its own payment portal called Apple Pay that allows iOS users to conduct transactions on eCommerce websites accepting Apple Pay.There were approximately 441 million Apple Pay users worldwide as of September 2019, reports Statista.

- **Google Pay**

Another online payment and digital wallet in the competition race is Google Pay. It is expected to cross the 100 million users mark in 2020.Google Pay is a highly secure and convenient online payment platform with some exciting rewards for both the merchants and customers on transactions.

E-Cash

- A system that allows a person to pay for goods or services by transmitting a number from one computer to another.

- Like the serial numbers on real currency notes, the E-cash numbers are unique.

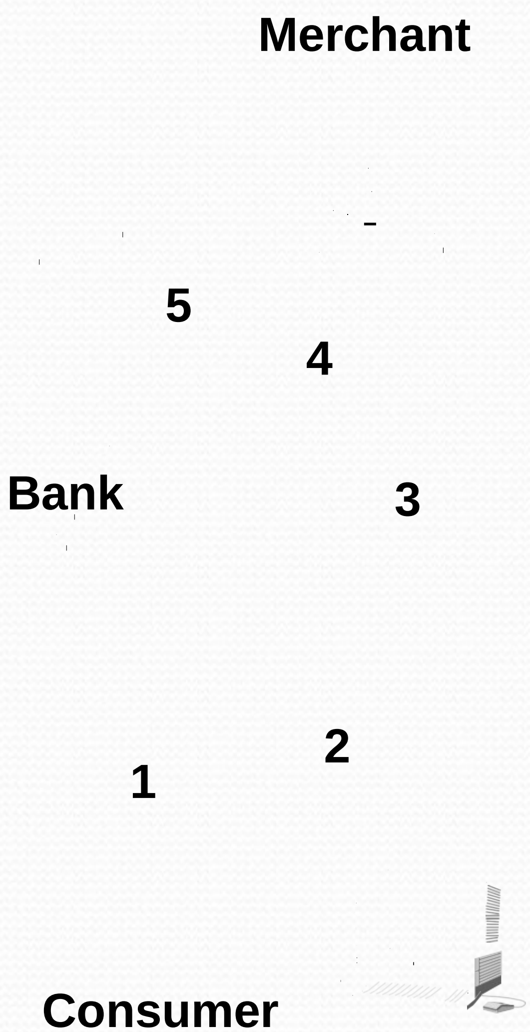
- This is issued by a bank and represents a specified sum of real money.

- It is anonymous and reusable.

Electronic Cash Security

- Complex cryptographic algorithms prevent double spending
  - Anonymity is preserved unless double spending is attempted
- Serial numbers can allow tracing to prevent money laundering

E-Cash Processing



1. Consumer buys e-cash from Bank

2. Bank sends e-cash bits to consumer
   (after charging that amount plus fee)

3. Consumer sends e-cash to merchant

4. Merchant checks with Bank that e-cash is valid (check for forgery or fraud)

5. Bank verifies that e-cash is valid

6. Parties complete transaction

Benefits of e-payment systems

- E-payments are making shopping and banking more convenient. They are helping customers to reach more clients locally and globally.
- E-payments are faster making the transactions efficient.
- With e-payments, customers can pay online at any time from anywhere, making them easily accessible and convenient for customers.
- It's easy to integrate online payment solutions with businesses as many payment processing solution providers offering different types of solutions.
- Online payment solutions come with security and risk and anti-fraud tools making them reliable and secure not only for customers but also for merchants.
- E-payments are proved to be highly effective for international transactions, as they are cheaper, easier, faster, and generally are real-time.

E-commerce Payment Gateways

A payment gateway is required to process the online transactions, i.e. allowing merchants to accept payments on their platform.

Some of the best eCommerce payment gateways are-

1. Stripe
2. PayPal
3. Authorize.net
4. Square
5. 2Checkout
6. Braintree
7. Amazon Payments

Risk for E-payment System

1. **Credit risk:** There is risk to a transaction if a party cannot provide the necessary funds for a settlement to take place. This can occur if an originator goes bankrupt or returns come in after settlement. Weaknesses such as a inadequate originator credit analysis, elevate the potential for credit risk.

Risk in using Credit cards

Operational Risk :

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Credit Risk:

Credit risk refers to the risk that a borrower will default on any type of debt by failing to make payments which it is obligated to do .The risk is primarily that of the lender and include lost **principal** and **interest**, **disruption** to cash flows, and increased collection costs.

Legal Risk:

Legal risk is a type of risks that means that a counterparty is not legally able to enter into a contract.

2. **Fraud risk**

- Fraud in commerce is called payment fraud and is basically any type of illegal or false transaction.
- eCommerce fraud is an illegal transaction performed on an eCommerce platform by a criminal or fraudster by using stolen payment information for online transactions without the account owner's knowledge.
- It is also known as purchase fraud. It can be done by using a false identity, stolen credit card, fake cards, and details, false personal and card information, etc.

Types of Ecommerce Frauds

1) **Identity theft :** Identity theft or identity fraud takes place when an impostor obtains and uses personally identifiable and financial information of another person. This is the form of illegal impersonating. It is the unauthorized use of personal and financial data. This fraud not only affects customers but equally affects the merchant, as customers can place a refund request.

2) **Chargeback fraud :** This is also known as friendly fraud. In this type of fraud, the customer keeps the goods/products purchased online from the eCommerce shop but still asks for a refund stating purchase never made or payment being made twice or item was never received.

3) **Clean fraud :** This fraud is done with the stolen credit card from a genuine user and is used to make an online purchase. The stolen card and card holder’s information is used to commit the fraud which looks like a legitimate purchase made by verified customers.

4) **Phishing:** In phishing personal information of a genuine user like user id, card number, password, other credit card information is collected via a fraudulent SMS or an email and used to make an online purchase illegally or without the owner’s knowledge. In this type, the user generally gets an SMS or email requesting personal data or a false link to install the malware to obtain this personal data. The fraudster often pretends to be a trusted company or source to ask such information.

5) **Triangulation fraud:** In this type of fraud, the fraudster creates a fake online shop offering goods/ products at cheap prices. These webshops are used to collect credit card data from the customers who visit the site.

When the order is placed, the fraudster orders the product from the real website/merchant using the stolen credit card information and has sent that product to the customer. Fraudster gains the payment for the goods and the customer ends up paying twice. Once for the fraud store and once for the actual price to the real merchant.

3. **Compliance risk:**

- Compliance risk is an organization's potential exposure to legal penalties, financial forfeiture and material loss, resulting from its failure to act in accordance with industry laws and regulations, internal policies or prescribed best practices.
- Compliance risk is also known as integrity risk.
- An organization's failure to comply with applicable laws and regulations can affect its revenue, which can lead to loss of reputation, business opportunities and valuation.

Some common compliance risks include:

- Corruption. ...
- Employee Behavior. ...
- Workplace Health and Safety. ...
- Environmental Impact. ...
- Quality. ...
- Process. ...
- Social Responsibility.

4. **Liquidity risk:**

- Liquidity risk is the risk of companies and individuals not meeting their short-term financial obligations, specifically because they’re unable to convert assets into cash without incurring a loss.
- Liquidity Risk’ means ‘Cash Crunch’ for a temporary or short-term period, and such situations generally have an adverse effect on any Business and Profit making Organization.

5.Opreational and Transaction Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. The main causes for operational risk can be:

- Inadequate Information Systems
- Breaches in internal controls
- Fraud
- Processing Errors

Transactional Risk: The common transactional risks of online dealings are:

A) Default on order – A seller may deny that the customer ever placed the order.

B) Default on delivery – Sometimes, goods may be delivered to the wrong address or goods other than ordered may be delivered to the buyer.

C) Default on payment – Sometimes, the seller does not get the payment for the goods supplied, whereas the customer claims that the payment has been made.

6. Reputational risk

Reputational risk is a threat or danger to the good name or standing of a business or entity. Reputational risk can occur in the following ways:

- Directly, as the result of the actions of the company
- Indirectly, due to the actions of an employee or employees
- Tangentially, through other peripheral parties, such as joint venture partners or suppliers

- Reputational risk is a hidden threat or danger to the good name or standing of a business or entity and can occur through a variety of ways.
- The biggest problem with reputational risk is that it can erupt out of nowhere and without warning.
- Reputational risk can pose a threat to the survival of the biggest and best-run companies and has the potential to wipe out millions or billions of dollars in market capitalization or potential revenues.

7. Strategic Risk :

- Strategic risk is the risk associated with failed business decisions.
- These types of risks affect overall business strategy, but sometimes they are necessary to reap the rewards.
- For example, a bank takes on strategic risk by offering credit, but it’s an inherent risk that is directly related to its business goals. Since strategic risk is all centred around “doing the right things,” it may be harder to identify than operational risks, which come down to “doing things right.”
- Strategic risks occur when businesses fail to meet the market’s needs.
- It can also be caused by externally because of market demand and the environment in which products get released.

Some examples of strategic risk include:

- Technological changes
- Senior management turnover
- Merger integration
- Stakeholder pressure
- Competitive pressure
- Consumer demand shifts
- Consumer preferences changes
- Regulatory changes

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