

## THE CHALLENGES AND KEY COMPONENTS OF E-COMMERCE

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### **Introduction**

This paper describes the meaning and definition of E-commerce and the Challenges of Electronic Commerce as to Future of Electronic Commerce. From maximum possible sources, an attempt has been made to explain the Strategic Challenges of Electronic Commerce and Future of Electronic Commerce.

### **Meaning and Definitions of Electronic Commerce**

A popular site [www.uow.edu.au](http://www.uow.edu.au), explains e-commerce as literally "doing business electronically" and when the term was first coined it was seen as buying and selling on electronic networks. The traditional views of doing business online includes purchasing products via online services and the Internet as well as electronic data interchange (EDI), in which one company's computer queries and transmit purchase orders to another company's computer.

Electronic Commerce today includes:

- The buying and selling of information as well as products and services.
- The use of telecommunications networks to link organizations and/or individuals.
- Sharing business information and maintaining business relationships.
- Intra-company, inter-company, and company-to-consumer processes.
- Doing business without paper.
- Engagement in a wide range of activities up and down the value-added chain both within and outside the organization..
- all computerized inter-company and intra-company functions (such as marketing, finance, selling, and negotiation)
- The use of electronic mail, EDI, files transfer, fax, video conferencing, workflow, or interaction with a remote computer.

According to Cisco System Ink, the term e-commerce encompasses any commercial transaction conducted electronically. Simply viewing a web site is not e-commerce, but purchasing a product over the Internet is e-commerce so is exchanging vital information with a supplier or business partner. Electronic commerce can occur over means other than the Internet.

**E-Commerce as Online Selling.** The site [www.niacc.cc.ia.us](http://www.niacc.cc.ia.us) narrowly defined, e-commerce means doing business online or selling and buying products and services through Web storefronts. Products being traded may be physical products such as used cars or services (e.g. arranging trips, online medical consultation, and remote education). Increasingly, they include digital products such as news, audio and video, database, software and all types of knowledge-based products. It appears then electronic commerce is similar to catalog shopping or home shopping on cable TV.

**E-Commerce as a Market.** E-commerce is not limited to buying and selling products online. For example, a neighborhood store can open a Web store and find the world in its doorstep. But, along with customers, it will also find its suppliers, accountants, payment services, government agencies and competitors online. This online or digital partners demand changes in the way we do business from production to consumption, and they will affect companies who might think they are not part of electronic commerce. Along with online selling, electronic commerce will lead to significant changes in the way products are customized, distributed and exchanged and the way consumers search and bargain for products and services and consume them.

### **The Challenges of Electronic Commerce**

According to the site [www.enix.co.uk](http://www.enix.co.uk)<sup>4</sup> the rise of the Internet (electronic commerce), since the advent of the World Wide Web has provided an easy to use communication channel for businesses to contact current and potential customers. The emergence of the Internet as a general communication channel has also given rise to the possibility of widespread electronic commerce. Even though there is still much debate relating to electronic payment for commercial activities, this is clearly an area of growth. These technologies include:

Organizational support systems, such as workflow and groupware making businesses more efficient.

Customer contact databases - helping capture information about customers and facilitate new methods of marketing

Electronic payment systems for goods and services - these are emerging, although the majority of payments are still based on relatively expensive traditional cheque clearance.

Collectively and individually, these areas will contribute to major changes in the way a company conducts its business. Enix have coined the term Workware to describe the combination of these technologies.

**The emergence of Electronic Commerce will be underpinned by three key components.**

**A. Marketing (Customer Satisfaction)**

**B. Organization (Process Support)**

**C. Banking (Payment Systems)**

**A. Marketing (Customer Satisfaction)**

The emergence of electronic commerce will significantly impact what we currently call 'marketing'. Clearly, the appearance of electronic communities Armstrong and Hagel implies that marketing professionals must expand their horizons, as the advent of this technology will threaten existing channels of business. Those involved in marketing need to understand the full range of products and services required by the electronic community. They must learn to take advantage of the technology that allows customers to move seamlessly from information gathering to completion of a transaction, interacting with the various providers of products and services as necessary. Armstrong and Hagel propose four types of non-exclusive electronic communities, those: interested in transactions; sharing common interests; indulging in fantasy games; and with a shared life experience. The business opportunity is for those who support and interact with these communities, building customer loyalty on an ongoing basis. By satisfying the requirements of relational marketing and transactions, companies may gain important insights into their customers' nature and needs. For example, a baby products company could entice customers to order items from an associated on-line catalogue by providing bulletin boards for new parents.

The electronic relationship extends beyond the bounds of the organization into the market as seen in the example of airline, hotel and car rental reservation systems. The communities established have a re-enforcing effect. These insights force us to re-examine traditional theories of economics, systems, organizations, marketing, competition and transaction cost analysis. As the boundaries between firms and markets dissolve, a characteristic of relationship marketing and network organizations, a new image of interaction and business is needed.

**B. Organization (Process Support -Communicating Across the Value Chain)**

It should be recognized that processes are not confined within one organization - they cross the value chain as demonstrated by the following example. Steinfield, et al describe a large, multinational, electrical appliance and consumer electronics manufacturer that used France Telecom's Teletel system to support EDI-like connections to approximately 10,000 separate retailers and independent service engineers throughout France (accessed through Minitel terminals). The ubiquitous Teletel service and the commercial applications, which emerged to exploit it, provide insights into the development of commerce on a worldwide Internet.

The after-sales service subsidiary of this manufacturer provided replacement parts and training to its widely dispersed customer base. The Teletel system permitted electronic transactions, even with the smallest trading partners. Through the use of on-line ordering, coupled with courier service for rapid delivery, the firm was able to eliminate regional parts warehouses and reduce the average repair time from two weeks to two days. In the past, service engineers waited until they had a sufficient need for parts before driving to a regional warehouse. Once the system was implemented, they used the Teletel based "just-in-time" stocking practice for replacement parts.

This "just-in-time" training service meant that technicians no longer required expensive and lengthy in-person training - a difficult task given the short life cycle of new electronics products. Service engineers were charged a fee for connecting to the service, but it clearly helped them to provide a faster service to the end customer whilst also further enforcing their dependence on the supplying firm. The expert system also accumulated data on repair problems and provided valuable feedback to the design and manufacturing divisions of the company. A primary motivation for this service was to dissuade service engineers from obtaining parts and services from other suppliers. The ubiquity of Minitel merely created the environment within which the supplier could manage relationships with a very large set of buyers, without opening their service to other suppliers.

**C. Banking (Payment Systems)**

Commerce on the Internet is already a reality. Whilst there are strategic challenges for all businesses, they are especially ominous for financial services and banking organizations. The inherent communication facilities offered are rapidly being integrated into every day usage Cronin, Business transactions carried out over the Internet were estimated at \$500 million in 1995 and projected at \$1 billion in 1996 Waraker, This is still significantly less than 1% of retail sales in the US. According to INPUT IT Intelligence Services, interactive retailing via the Web will grow to \$165 billion by the year 2000. To date the emphasis has been on the Internet as a vehicle for communications with customers and other companies operating on collaborative ventures (mostly e-mail). As the capabilities of the medium are better understood, an ever-increasing number of organizations are concentrating on capturing business transactions and on-line sales. The Internet Mall lists some 240 companies offering everything from books to flowers to travel Banking Technology.

Says that traditional businesses, such as banking are under several fronts:

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