E-COMMERCE- Advantages and Disadvantages

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E-Commerce

- Today we will have a look at the benefits for businesses that use E-Commerce against traditional methods.

- There are benefits both for the business, the customer and society.

- We will also look at some of the disadvantages and problems for businesses that choose to operate E-Commerce.

- E-commerce offers the following benefits to business organisations

1. <u>International Market</u>
- The market for a web based business is not restricted by any geographical boundaries This means that various restrictions existing in different countries in traditional business environment is avoided in e-commerce. Goods can be sold in any new markets regardless of its geographical boundaries.
- Traditional physical marketplace located in a geographical area has now become a borderless marketplace including national and international markets. E-commerce enables business firms to have access to people all around the world. In effect all e-commerce businesses have become virtual multinational corporations.

2. <u>Operational cost savings</u>
- The cost of creating, processing, distributing, storing and retrieving paper-based information has decreased. This has led to the savings of cost.

3. <u>Reduced inventories and overheads</u>

- E-commerce firms need not stock large inventory. This is because of online collecting the customer order and then delivering through JIT (just-in-time) manufacturing. This is particularly beneficial for companies in the high technology sector, where stocks of components may quickly become obsolete within months. For example, companies like Motorola mobile phones, and Dell computers gather customer orders for a product, transmit them electronically to the manufacturing plant where they are manufactured according to the customer's specifications like colour and features and then sent to the customer within a few days.

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4. <u>Mass customisation</u>

- E-commerce has revolutionised the way consumers buy goods and services in the e- commerce environment firms are able to customise their products and services to the customer's requirements. In the past when Ford first started cars, customers could have any colour so long as it was black. Now customers can configure a car according to their specifications within minutes on-line via the www.ford.com website.

5. <u>Lower telecommunications cost</u>

- The Internet is much cheaper than value added networks (VANS) which were based on leasing telephone lines for the exclusive use of the organisation and its authorised partners. It is also cheaper to send a fax or e-mail via the Internet than direct dialling.

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6. <u>Digitisation of products and processes</u>

- Digitisation of products and processes particularly in the case of software and music or video products, which can be downloaded or e-mailed directly to customers via the Internet in digital or electronic format within 24-hour-time. Businesses can be contacted by or contact customers or suppliers at any time.

Advantages of E-Commerce to Consumers

E-commerce provides many benefits to consumers as well.

1. <u>Easy Accessibility</u>
- E-commerce enables customers to shop or conduct other transactions 24 hours a day, all year round from almost any location. For example, a customer can check his balances, making payments, obtaining travel and other information.

2. <u>More choices</u>
- Customers can now choose a wide range of products and customise. He can buy goods and services even from international suppliers.

3. <u>Price comparisons</u>
- Customers can 'shop' around the world and can make price comparisons either directly by visiting different sites, or by visiting a single site where prices of different sellers are exhibited.

4. <u>Improved delivery processes</u>
- This can range from the immediate delivery of digitised or electronic goods such as software or audio-visual files by downloading via the Internet, to the on-line tracking of the progress of packages being delivered by mail or courier.

Benefits of E-Commerce to Society

E-commerce is also useful to the society as described below.

1. <u>Flexible working practices</u>
- E-commerce enables more flexible working practices, which enhances the quality of life of people in society, enabling them to work from home. This is more convenient and provides happiest and less stressful working environments; it also reduces environmental pollution as few people have to travel to work regularly.

2. <u>Connects people</u>
- This also helps people in both developing countries and rural areas to enjoy and access products, services, information and other people which otherwise would not be so easily available to them.

3. <u>Facilitates delivery of public services</u>
- E-commerce also facilitates delivery of public services. For example, public can make use of health services available over the Internet for on-line consultation with doctors or nurses, filing tax returns over the Internet through the website.

LIMITATIONS OF E – COMMERCE

- There was much publicity of Internet and e - commerce over the last few years . But this type of commerce is not free from defects . These again will be dealt with according to the three major stakeholders - organisations , consumers and society .

1. **Security**

- One of the important limitations of e - commerce is the lack of sufficient system security , reliability , standards and communication protocols .

- There are numerous reports of websites and databases being hacked into , and security loop holes in software .

- For example , Microsoft has over the years issued many security notices for their software .

- Several banking and other business websites have experienced breaches in security where a technical oversight or a fault in its systems led to confidential client information becoming available to all .

2. **Pressure for innovation**

- Pressure to innovate and develop business models to exploit the new opportunities may sometime leads to strategies harmful to the organization .

- The ease with which business models can be copied and imitate over the Internet increase that pressure and reduce long term competitive advantage .

3. <u>Price wars</u>

- Facing increased competition from both national and international competitors often leads to price wars and subsequent occurrence of losses for the organisation .

4. <u>Problems with compatibility of older and new technology</u>

- There are problems where old business systems cannot communicate with web based and Internet infrastructures .
- This necessitates the firm to invest in new systems which connect the different systems .
- In both cases this is both costly as well as difficult to the efficient running of organisations .

5. <u>Financial commitment</u>

- Computing equipment is needed for individuals to participate in the new ' digital economy , which means an initial capital cost to customers .

6. Computer literacy

- Basic technical knowledge is required of both computing equipment and navigation of the Internet and the World Wide Web .

7. Cost of internet

- Cost of access to the Internet, whether dial-up or broadband tariffs, is another important limitation.

8. Cost of computing equipment

- Not only the initial cost of buying equipment but additional investment to update technology regularly to be compatible with the changing réquirement of the Internet, websites and applications is also a major limitation.

9. Lack of security and privacy of personal data

- There is no real control of data that is collected over the Web or Internet. Data protection laws are not universal and so websites hosted in different countries may or may not have laws which protect privacy of personal data.

10. No personal contact

- Physical contact and relationships are replaced by electronic processes. Customers are unable to touch and feel goods being sold on-line or gauge voices and reactions of human beings. A lack of trust exists because they are interacting with faceless computers.

11. Breakdown in human interaction

- As people become more used to interacting electronically there could be an erosion of personal and social skills which might eventually be harmful to the world we live in where people are more comfortable interacting with a screen than face to face.

12. **<u>Social division</u>**

- There is a potential danger that there will be an increase in the social divide between technical haves and have-nots - so people who do not have technical skills become unable to secure better-paid jobs and could form an underclass with potentially dangerous implications for social stability.

13. **<u>Wasted resources</u>**

- As new technology outdates quickly, creates the problems to dispose of all the old computers, keyboards, monitors, speakers and other hardware or software.