IMPACT AND PROBLEMS OF E-COMMERCE

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ABSTRACT

E-Commerce is the activity of buying or selling of products on online services or over the Internet. Electronic commerce draws on technologies such as mobile commerce, electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange (EDI), inventory management systems, and automated data collection systems. Modern electronic commerce typically uses the World Wide Web for at least one part of the transaction's life cycle although it may also use other technologies such as e-mail. Typical E- Commerce transactions include the purchase of online books (such as Amazon) and music purchases (music download in the form of digital distribution such as iTunes Store), and to a less extent, customized/personalized online liquor store inventory services. There are three areas of E-Commerce: online retailing, electric markets, and online auctions. E-Commerce is supported by electronic business.

Key Words: Business, Commerce, Electronic, Internet, Regulations.

INTRODUCTION

E-Commerce businesses may also employ some or all of the followings

- Online shopping for retail sales direct to consumers via Web sites and mobile apps, and conversational commerce via live chat, chat bots, and voice assistants.

- Providing or participating in online marketplaces, which process third-party business- to-consumer or consumer-to-consumer sales.

- Business-to-business buying and selling.

- Gathering and using demographic data through web contacts and social media.

- Business-to-business (B2B) electronic data interchange.

- Marketing to prospective and established customers by e-mail or fax (for example, with newsletters).

- Engaging in retail for launching new products and services.

- Online financial exchanges for currency exchanges or trading purposes.

E commerce, also known as electronic commerce or internet commerce, refers to the buying and selling of goods or services using the internet, and the transfer of money and data to execute these transactions. **E-Commerce** is often used to refer to the sale of physical products online, but it can also describe any kind of commercial transaction that is facilitated through the internet. Whereas **E-Business** refers to all aspects of operating an online business, E-Commerce refers specifically to the transaction of goods and services.

The history of E-Commerce begins with the first ever online sale: On August 11, 1994 a man sold a CD by the band Sting to his friend through his website Net Market, an American retail platform. This is the first example of a consumer purchasing a product

from a business through the World Wide Web—or "E-Commerce" as we commonly know it today. Since then, E- Commerce has evolved to make products easier to discover and purchase through online retailers and marketplaces. Independent freelancers, small businesses, and large corporations have all benefited from E-Commerce, which enables them to sell their goods and services at a scale that was not possible with traditional offline retail. Global retail E-Commerce sales are projected to reach $27 trillion by 2020.

Types of E-Commerce Models

There are four main types of E-Commerce models that can describe almost every transaction that takes place between consumers and businesses.

1. **Business to Consumer (B2C):** When a business sells a good or service to an individual consumer (e.g. You buy a pair of shoes from an online retailer).

2. **Business to Business (B2B):** When a business sells a good or service to another business (e.g. A business sells software-as-service for other businesses to use)

3. **Consumer to Consumer (C2C):** When a consumer sells a good or service to another consumer (e.g. You sell your old furniture on eBay to another consumer).

4. **Consumer to Business (C2B):** When a consumer sells their own products or services to a business or organization (e.g. An influencer offers exposure to their online audience in exchange for a fee, or a photographer licenses their photo for a business to use).

Examples of E-Commerce can take on a variety of forms involving different transactional relationships between businesses and consumers, as well as different objects being exchanged as part of these transactions.

1. **Retail:** The sale of a product by a business directly to a customer without any intermediary.

2. **Wholesale:** The sale of products in bulk, often to a retailer that then sells them directly to consumers.

3. **Drop shipping:** The sale of a product, which is manufactured and shipped to the consumer by a third party.

4. **Crowdfunding:** The collection of money from consumers in advance of a product being available in order to raise the startup capital necessary to bring it to market.

5. **Subscription:** The automatic recurring purchase of a product or service on a regular basis until the subscriber chooses to cancel.

6. **Physical products:** Any tangible good that requires inventory to be replenished and orders to be physically shipped to customers as sales are made.

7. **Digital products:** Downloadable digital goods, templates, and courses, or media that must be purchased for consumption or licensed for use.

8. **Services:** A skill or set of skills provided in exchange for compensation. The service provider's time can be purchased for a fee.

GOVERNMENT REGULATIONS

In the United States, certain electronic commerce activities are regulated by the Federal Trade Commission (FTC). These activities include the use of commercial e-mails, online advertising and consumer privacy. The CAN-SPAM Act of 2003 establishes national

standards for direct marketing over e-mail. The Federal Trade Commission Act regulates all forms of advertising, including online advertising, and states that advertising must be truthful and non-deceptive. Using its authority under Section 5 of the FTC Act, which prohibits unfair or deceptive practices, the FTC has brought a number of cases to enforce the promises in corporate privacy statements,

including promises about the security of consumers' personal information. As a result, any corporate privacy policy related to E-Commerce activity may be subject to enforcement by the

FTC. The Ryan Haight Online Pharmacy Consumer Protection Act of 2008, which came into law

in 2008, amends the Controlled Substances Act to address online pharmacies. Conflict of laws in cyberspace is a major hurdle for harmonization of legal framework for E-Commerce around the world. In order to give a uniformity to E-Commerce law around the world, many countries adopted the UNCITRAL Model Law on Electronic Commerce (1996). Internationally there is the International Consumer Protection and Enforcement Network (ICPEN), which was formed in 1991 from an informal network of government customer fair trade organizations. The purpose was stated as being to find ways of co-operating on tackling consumer problems connected with cross-border transactions in both goods and services, and to help ensure exchanges of information among the participants for mutual benefit and understanding. From this came Econsumer.gov, an ICPEN initiative since April 2001. It is a portal to report complaints about online and related transactions with foreign companies. There is also Asia Pacific Economic Cooperation (APEC) which was established in 1989 with the vision of achieving stability, security and prosperity for the region through free and open trade and investment. APEC has an Electronic Commerce Steering Group as well as working on common privacy regulations throughout the APEC region.

Contemporary electronic commerce can be classified into two categories.

- The first category is business based on types of goods sold which involves everything from ordering "digital" content for immediate online consumption, to ordering conventional goods and services, to "meta" services to facilitate other types of electronic commerce.

- The second category is based on the nature of the participant (B2B, B2C, C2B and C2C). On the institutional level, big corporations and financial institutions use the internet to exchange financial data to facilitate domestic and international business. Data integrity and security are pressing issues for electronic commerce. Aside from traditional E-Commerce, the terms m-Commerce (mobile commerce) as well (around 2013) t-Commerce have also been used.

Significance of E-Commerce

- In today's competitive and convenience focused society, no longer do consumers want to venture to the high street in order to buy items, instead consumers want to shop from their own homes, making E-Commerce a flexible solution for both businesses and buyers. Additionally, in **Pandemic Times**, where **Social Distance** was vital, online businesses can operate from the safety of one's home. So, one doesn't need to invest in an office space or make arrangements for employees' workspaces, saving time and money. E-Commerce and e-business are not solely

the Internet, websites or dot com companies. It is about a new business concept that incorporates all previous business management and economic concepts. As such, e-business and E-Commerce impact on many areas of economy:

1. **Marketing:** Issues of online advertising, marketing strategies, consumer's behavior and cultures, one of the areas in which it impacts particularly is direct marketing. In the past this was mainly door-to-door, home parties and mail order using catalogues or leaflets. This moved to telemarketing and TV selling with the advances in telephone and television technology and finally developed into e-marketing spawning "e-CRM" data mining and the like by creating new channels for direct sales and promotion.

2. **Computer Sciences**: Development of different network and computing technologies and languages to support E-Commerce and e-business, for example linking front and back office legacy systems with the "web based" technology

3. **Finance and Accounting:** On-line banking; issues of transaction costs; accounting and auditing implications where "intangible" assets and human capital must be tangibly valued in an increasingly knowledge based economy.

4. **Economics:** The impact of E-Commerce on local and global economies, understanding the concept of a digital and knowledge-based economy and how this fits into economic theory.

5. **Business Law and Ethics:** The different legal and ethical issues that have arisen as a result of a global "virtual" market. Issues are copyright laws, privacy of customer information, and legality of electronic contracts.

IMAPCTS OF E-COMMERCE

Impact On Markets And Retailers

Store closing flags outside a Toys R Us in New Jersey. Despite investments, the chain struggled to win market share in the age of digital commerce. E-Commerce markets growing at noticeable rates. The online went up by 56% in 2015–2020. In 2017, retail E-Commerce sales worldwide amounted to 2.3 trillion US dollars and e-retail revenues was projected to grow to 4.88 trillion US dollars in 2021. Traditional markets are only expected 2% growth during the same time. Brick and mortar retailers are struggling because of online retailer's ability to offer lower prices and higher efficiency. Many larger retailers are able to maintain a presence offline and online by linking physical and online offerings. E-Commerce allows customers to overcome geographical barriers and allows them to purchase products anytime and from anywhere. Online and traditional markets have different strategies for conducting business. Traditional retailers offer fewer assortment of products because of shelf space where, online retailers often hold no inventory but send customer orders directly to the manufacture. The pricing strategies are also different for traditional and online retailers. Traditional retailers base their prices on store traffic and the cost to keep inventory. Online retailers base prices on the speed of delivery. There are two ways for marketers to conduct business through E-Commerce: fully online or online along with a brick and mortar store. Online marketers can offer lower prices, greater product selection, and high efficiency rates. Many customers prefer online markets if the products can be delivered quickly at relatively low price. However, online retailers cannot offer the physical experience that traditional retailers can. It can be difficult to judge the quality of a product without the physical experience, which may cause customers to experience product or seller uncertainty.

IMPACT ON EMPLOYMENT

E-Commerce helps create new job opportunities due to information related services, software app and digital products. It also causes job losses. The areas with the greatest predicted job-loss are retail, postal, and travel agencies. The development of E-Commerce will create jobs that require highly skilled workers to manage large amounts of information, customer demands, and production processes. In contrast, people with poor technical skills cannot enjoy the wages welfare. On the other hand, because E-Commerce requires sufficient stocks that could be delivered to customers in time, the warehouse becomes an important element. Warehouse needs more staff to manage, supervise and organize, thus the condition of warehouse environment will be concerned by employees. The ongoing expansion and robust outlook have led to a progress story which will positively impact the entire E-Commerce ecosystem. While most of the discussions on impact of e-tail revolve around clichés such as 'altering customer behavior', 'disruptive business models', 'unprecedented technological advancement'; the most encouraging aspect which doesn't get mentioned enough is its impact on the creation of employment opportunities. These employment opportunities are not only limited to e-tail, but has influenced the complete value chain with logistics, warehousing, technology, and support services being the most positively impacted. Besides creation of employment in direct industries, e-tail has also provided new opportunities to craftsmen, traditional artisans, merchants, sellers, and women. The speed and scale of potentially creating a larger socio-economic impact is noteworthy. E-tail has created a big impact on entrepreneurship and startup culture in the country and has helped people build careers from a range of varied skills such as developers, content writers, designers, photographers, etc. It has also created a shift in employee expectations by offering employment options with exciting career paths, diverse opportunities, and new age jobs. The trends are complimentary to many government priorities like Make in India, Digital India, and Skill India. E-Commerce is also creating a noticeable socio- economic impact by reaching interiors of the country.

IMPACT ON CUSTOMERS

E-Commerce brings convenience for customers as they do not have to leave home and only need to browse website online, especially for buying the products which are not sold in nearby shops. It could help customers buy wider range of products and save customers' time. Consumers also gain power through online shopping. They are able to research products and compare prices among retailers. Also, online shopping often provides sales promotion or discounts code, thus it

is more price effective for customers. Moreover, E-Commerce provides products' detailed information; even the in-store staff cannot offer such detailed explanation. Customers can also review and track the order history online.

E-Commerce technologies cut transaction costs by allowing both manufactures and consumers to skip through the intermediaries. This is achieved through by extending the search area best price deals and by group purchase. The success of E-Commerce in urban and regional levels depend on how the local firms and consumers have adopted to E-Commerce.

However, E-Commerce lacks human interaction for customers, especially who prefer face-to-face connection. Customers are also concerned with the security of online transactions and tend to remain loyal to well-known retailers. In recent years, clothing retailers such as

Tommy Hilfiger have started adding Virtual Fit platforms to their E-Commerce sites to reduce the risk of customers buying the wrong sized clothes, although these vary greatly in their fit for purpose. When the customer regret the purchase of a product, it involves returning goods and refunding process. This process is inconvenient as customers need to pack and post the goods. If the products are expensive, large or fragile, it refers to safety issues.

With **E-Commerce**, **consumers** are able to access a wide range of products and services. You can choose your product from anywhere in the world, make an order and have it shipped to you. This has given greater freedom to **consumers** by ensuring that they can get what they want despite their geographical location.

With more than 60% of people across the world jumping over the internet to buy things, choose services and attain goods, E-Commerce has revolutionized the whole shopping experience. It allows people to buy things off from the ease of their office chair, home lounge's couch and even while travelling around with just a simple click of their finger. It has become now that easy to buy anything off from anywhere and anytime through an online operating system of E-Commerce. E- Commerce doesn't provide benefits to customers and consumers only, it has proved beneficial for the retailers as well. With E-Commerce they can now expand their business all across the world which otherwise physically is impossible and requires a lot of investments. E-Commerce allows the customers to shop from their favourite website 24/7.

ADVANATGES AND PROBLEMS OF E-COMMERCE

E-commerce is one of the powerful online tools which can help your business grow and glow all across the globe. You can never doubt about the ability to sell goods and services online which have made businesses more viable and profitable. Major advantages are under as follows :

1. Low costs

Opening a store is expensive. You have to pay rent, furnish the space, get the equipment you need, and hire employees to work in it. Opening a business online, on the other hand, is much less expensive. If you already have a customer base and want to build out a custom website, you'll probably pay a few thousand dollars for the coding and building of that site.

2 Flexibility And Speed

On an E-Commerce site, you can change your product offerings, display, and marketing materials almost instantly. In a brick-and-mortar store, you'll have to physically move things around and it just takes longer. An E-Commerce site is extremely flexible and lets you adapt to the changes needs of your customers.

3 More Opportunities To "Sell"

Merchants can only provide a limited amount of information on a product in a physical store. On the other hand, Commerce websites allow the space to include more information such as demo videos, reviews, and customer testimonials to help increase conversion.

4 Increased Sales With Instant Gratification

For businesses that sell digital goods, E Commerce allows the delivery of products within seconds of making a purchase. This satisfies consumers' need for instant gratification and helps increase sales, especially for low-cost items that are often "impulse buys."

5   Ease and Convenience;

With increased workload and home commitments, it gets really hard for people to reach out to their favourite stores just to fetch their favourite products when they can buy it by just a tap of their fingers. Ease of use, time efficiency and easy payment are some of the few major reasons why E-Commerce has taken over today's retail world.

6   Availability round the clock;

E-Commerce allows the customers to shop from their favourite website 24/7. It doesn't involve waiting for a weekend or a half-day just so that you can do the necessary retail therapy. E-Commerce allows websites to be functioning round the clock and benefit their customers with appropriate product details, warranty details, product reviews and product descriptions so that they can make the right choice.

7   A Retailer's holy grail:

E-Commerce provides a perfect space for all types of businesses to present the best of their self on the internet to grab the attention of their target audience and beat the heated competition. It reduces inventory cost and eliminates the requirement of a physical location. The retailer can earn by just being over the internet. It also reduces the need for hiring people for sales along with easy and quick targeted marketing.

8   Access to the convertible audience;

An E-Commerce allows the merchants to read the behaviours, likings, dislikings and trends they follow so that they can come up with products and services which fulfil the needs of their audience and convert them into potential buyers. This provides good data that the merchants can utilize for designing impactful marketing strategies.

9   One E-Commerce Website and the whole world;

E-Commerce and an online web store make the browsing and similar niche finding super easy and fast. Physically it is impossible to find a product of choice without going from store to store, whereas by typing one keyword on the internet, many similar search results and their respective E-Commerce stores pop up.

PROBLEMS OF E- COMMERCE

With the e-commerce in India rising at a booming rate, more so with the invasion of highly- sophisiticated gadgets and faster than light internet. However, still, the e-commerce in India lags far behind compared to the western countries. There are several problems faced by the e- commerce in India that come in the way of Indian online stores and merchants are under as follows**:**

Online Identity Verification

When a shopper visits an E-Commerce site, how would the retailer know if the person is who they say they are? Is the shopper entering accurate information? Is the shopper genuinely interested in the E-Commerce products? If you do not have the accurate details or information, how do you proceed? Well, it does become tricky. The solution would be to invest in online identity verification.

1. **Cyber & Data Security**

   When it comes to E-Commerce, one of the biggest challenges faced is security breaches. There is a lot of information that is involved while dealing with E-

Commerce and a technical issue with data can cause severe damage to the retailer's daily operations as well as brand image.

2. Customer Experience

Customer experience or user experience is key to a successful E-Commerce website. Shoppers expect a similar if not same experience as one they would get in a brick and mortar store. The flow of the website, the segmentation of the website and the personalization of products based on the shopper's preferences are imperative.

3. Customer Loyalty

Here are two facts that show the importance of customer loyalty: (a) It can cost up to 5 times more to acquire a new customer than retaining an existing one and (b) the success rate of selling to a current customer is 60-70% compared to only 5-20% success rate of selling to a new customer. The above two facts are testament to how important customer retention or loyalty is. Once a customer makes a purchase or utilizes a service from a retailer, they have to make sure that they keep this customer for life.

4. Poor Logistics And Long Delivery Times

Another major challenge faced by shoppers while shopping online is logistics. Compared to the physical store collection of traditional retailers, E-Commerce must invest in delivery to reduce this disadvantage. However, 23% of shoppers abandon their shopping carts for shipping reasons, proving that they are not doing too well.

5. Scarce Information On The Product Sheets

It doesn't matter if an online shoe store has the best moccasins on the market: if your product files contain poorly written text, poor quality images or imprecise specifications, the consumer could back down and visit the competition. Details make all the difference, so it's important to take care of your product files. Bad practices are just one of the many problems faced by online consumers

6. Security For The Consumer

Investment in cybersecurity is growing year on year due to the increasing number of threats to governments, companies, and businesses internationally. Far from being oblivious to this problem, E-Commerce is forced to exercise extreme caution. **The processing of purchases requires the sending of sensitive consumer information, which must be protected.** Online customers are increasingly aware of the importance of security, and therefore demand guarantees. Unfortunately, a part of the E-Commerce fails in this sense, sometimes they even violate users' rights

7. Bad Return Policies Or Lack Of Buyer Warranties

The quality of a product cannot be known until the consumer examines it with his hands, which does not present difficulties in traditional retailers. But that is not the case with E- Commerce. **Most consumers are used to this difficulty and therefore expect to find certain guarantees**. **The product sheets must contain a link to the return policies**. If they are better than the competition, highlighting

them can be a great idea (immediate return without commitment, for example). In any case, return policies cannot be imprecise. The customer needs to know what to do if a product does not have the quality he expected.

Online shopping is the new mantra of this age and the people of India are applying this in our lives to great extent now days. As we progress further, the growth rate of online marketing in our country will leap to the stars. According to the study India's internet base is already third highest in the world after China and the US, is growing by nearly 40% every year. Hence, the rise of online shopping in the Indian subcontinent has been meteoric in the recent years. The number of shopping websites has increased and so has the total number of persons who prefers shopping online.

At the end it can be said that E-commerce has become the fate of online business in world. This has generated massive interest in E-Commerce sector, people are opening websites to sell and reach to the customers, retailer, wholesalers, manufacturers, Government etc. This has helped in creating a lot of job opportunities and thus helps the Economies of the World to grow.

The contemporary E-Commerce trend recommends companies to shift the traditional business model where focus on "standardized products, homogeneous market and long product life cycle" to the new business model where focus on "varied and customized products". E-Commerce requires the company to have the ability to satisfy multiple needs of different customers and provide them with wider range of products.

With more choices of products, the information of products for customers to select and meet their needs become crucial. In order to address the mass customization principle to the company,

the use of recommender system is suggested. This system helps to recommend the proper products to the customers and helps customers make the decision during the purchasing process. The recommender system could be operated through the top sellers on the website, the demographics of customers or the consumers' buying behavior.

CHALLENGES

Making recommendations in an E-Commerce environment can be challenging because:

- A retailer may have huge amounts of data, millions of customers and millions of distinct catalogue items.

- Many applications require that recommendations are returned in real-time, e.g. no more than half a second, while still producing high-quality recommendations.

- New customers are initially characterized on the basis of limited information, typically on only a few purchases or product ratings.

- Older customers may have a glut of information associated with them, based on thousands of purchases and ratings.

- Customer data is volatile. Each interaction provides valuable customer data, and the algorithms must respond immediately to new information.

In order for any organization to successfully implement a recommender strategy, the following best practices apply:

1. **Recommendation is aimed at improving the customer dialogue.**

   The heart of recommendation lies in gaining insights into your customer. Customers typically require an open, trusted relationship before they will share such insights with you.

2. **Keep the big picture in mind, but start small.**

   A successful recommendation strategy will probably feature a combination of different recommender types, but implementing them all at once is not advisable. Our experience is that starting with a content-based approach is the best first step and that enriching this can best be done on an incremental basis as you acquire an increasing insight into your customers.

3. **Successful recommendation is based on 'big data' and should not be underestimated** Building user profiles, getting control of product data and integrating with existing customer history are a few examples of 'big data' problems that should be taken into account when implementing a recommendation strategy. It is important therefore, to understand that the success of recommendation lies for a large part in the accumulation of historical information that may require time to gather.

CONCLUSION

At last the conclusion comes that now day-by-day e-commerce is getting lots of success. Even though different countries are moving at a different speed, but the positive part is that they are all moving towards growth. Despite a lot of issues faced by retailers, and logistics in some cases they are not slowing down. Today many companies have adopted the e-commerce has become the buzzword for successful businesses across the world, as also in India. So, it will be concluding, that in the future E-Commerce will grow faster. That means in the future e-commerce is one most important key factor for success of any company.

The Indian economy is expected to even overtake the US economy in future and E-Commerce, I am sure, will play major part in that.

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