Volume-5, Issue-7, July - 2016 • ISSN No 2277 - 8160

Original Research Paper

Commerce

Does Competitive Advantage Work In E.business?"

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ABSTRACT

A trend for businesses in the 21st century is to offer their products and services electronically, a practice known as electronic commerce, commonly referred to as "e-commerce". Major companies, such as Nike, Adidas, Future Shop, Sears, and other major retailers all offer their products online. Their mindset is that this offers quick, easy, and efficient service. There are advantages to engaging in e-commerce. First, providing fast and efficient service leads to a competitive advantage, and presents the opportunity to reach out to a larger target market. With the expansion of the Internet and a greater thirst for information and knowledge, global competition is becoming fierce, so gaining a competitive advantage is vital to the global and domestic strategy of a firm

KEYWORDS : Business, Commerce, Online, Product, Service,

Introduction

Commerce is a communicative transaction between two parties playing very familiar roles: *buyer* and *seller*. For commerce to occur, somebody must do the selling, and somebody must do the buying, and these two some bodies must share a basic understanding of how the transaction is generally supposed to flow. Ecommerce web sites can't simply make products available to be bought (*surface it, they will buy...*); these sites must hold up their part of role-playing the commerce transaction.

E-commerce sites seem to shout the message that they are trustworthy, that users need have no trepidation over purchasing from these sites, but trust derives not from assertions but rather from experience and judgment. People interact, and they make judgments and form expectations of others based on what they experience and what they surmise; it's a lot easier to decide to trust a merchant when you can speak to them face-to-face and shake their hand. Trusting a web site to deal with you fairly and deliver your merchandise, though, well, that's harder to do when you realize that *anyone* can build a commerce site. Ecommerce sites must work hard to build the impression of trustworthiness

Historical Development

The meaning of the term "electronic commerce" has changed over time. Originally, "electronic commerce" meant the facilitation of commercial transactions electronically, usually using technology like Electronic Data Interchange (EDI, introduced in the late 1970s) to send commercial documents like purchase orders or invoices electronically.

Later it came to include activities more precisely termed "Web commerce" -- the purchase of goods and services over the World Wide Web via secure servers (note HTTPS, a special server protocol which encrypts confidential ordering data for customer protection) with e-shopping carts and with electronic pay services, like credit card payment authorizations.

When the Web first became well-known among the general public in 1994, many journalists and pundits forecast that e-commerce would soon become a major economic sector. However, it took about four years for security protocols (like HTTPS) to become sufficiently developed and widely deployed (during the browser wars of this period). Subsequently, between 1998 and 2000, a substantial number of businesses in the United States and Western Europe developed rudimentary Web sites.

Although a large number of "pure e-commerce" companies disappeared during the **dot-com** collapse in 2000 and 2001, many "brick-and-mortar" retailers recognized that such companies had identified valuable niche markets and began to add e-commerce capabilities to their Web sites.

As of 2005, e-commerce has become well-established in major cities across much of North America, Western Europe, and certain East Asian countries like South Korea. However, e-commerce is still emerging slowly in some industrialized countries, and is practically nonexistent in many Third World countries. Electronic commerce has unlimited potential for both developed and developing nations, offering lucrative profits in a highly unregulated environment.

Success factors in e-commerce

Technical and organizational aspects

In many cases, an e-commerce company will survive not only based on its product, but by having a well-organized business structure and a secure, well-designed website. Such factors include:

Providing an easy and secure way for customers to order. Credit cards are the most popular means of sending payments on the internet, accounting for 90% of online purchases.

Providing reliability and security. Parallel servers,fail-safetechnology, information encryption, and firewalls can enhance this requirement.

Providing a 360-degree view of the customer relationship, defined as ensuring that all employees, suppliers, and partners have a complete view, and the same view, of the customer.

Constructing a commercially sound business model. If this key success factor had appeared in textbooks in 2000, many of the dot-coms might not have gone into bankruptcy.

Engineering an electronic value chain in which one focuses on a "limited" number of core competencies -- the opposite of a one-stop shop.

Operating on or near the cutting edge of technology and staying there as technology changes (but remembering that the fundamentals of commerce remain indifferent to technology).

Setting up an organization of sufficient alertness and agility to respond quickly to any changes in the economic, social and physical environment.

Providing an attractive website. The tasteful use of colour, graphics, animation, photographs, fonts, and white-space percentage may aid success in this respect.

Streamlining business processes, possibly through re-engineering and information technologies.

Customer-Oriented

A successful e-commerce organization must also provide an enjoyable and rewarding experience to its customers. Many factors go into making this possible. Such factors include:

Providing value to customers. Vendors can achieve this by offering a product or product-line that attracts potential customers at a competitive price, as in non-electronic commerce.

Providing service and performance. Offering a responsive, user-friendly purchasing experience, just like a flesh-and-blood retailer, may go some way to achieving these goals.

Providing an incentive for customers to buy and to return. Sales promotions to this end can involve coupons, special offers, and discounts. Cross-linked websites and advertising affiliate programs can also help.

Providing personal attention. Personalized web sites, purchase suggestions, and personalized special offers may go some of the way to substituting for the face-to-face human interaction found at a traditional point of sale.

Providing a sense of community. Chat rooms, discussion boards, soliciting customer input and loyalty programs (sometimes called affinity programs) can help in this respect.

Owning the customer's total experience. E-tailers foster this by treating any contacts with a customer as part of a total experience, an experience that becomes synonymous with the brand.

Letting customers help themselves. Provision of a self-serve site, easy to use without assistance, can help in this respect.

Problems

Even if a provider of E-commerce goods and services rigorously follows these "key factors" to devise an exemplary e-commerce strategy, problems can still arise. Sources of such problems include:

Failure to understand customers, why they buy and how they buy. Even a product with a sound value proposition can fail if producers and retailers do not understand customer habits, expectations, and motivations. E-commerce could potentially mitigate this potential problem with proactive and focused marketing research, just as traditional retailers may do.

Failure to consider the competitive situation. One may have the capability to construct a viable book e-tailing business model, but lack the will to compete with Amazon.com.

Inability to predict environmental reaction. What will competitors do? Will they introduce competitive brands or competitive web sites? Will they supplement their service offerings? Will they try to sabotage a competitor's site? Will price wars break out? What will the government do? Research into competitors, industries and markets may mitigate some consequences here, just as in non-electronic commerce.

Over-estimation of resource competence. Can staff, hardware, software, and processes handle the proposed strategy? Have e-tailers failed to develop employee and management skills? These issues may call for thorough resource planning and employee training.

Failure to coordinate. If existing reporting and control relationships do not suffice, one can move towards a flat, accountable, and flexible organizational structure, which may or may not aid coordination.

Failure to obtain senior management commitment. This often results in a failure to gain sufficient corporate resources to accomplish a task. It may help to get top management involved right from the start.

Failure to obtain employee commitment. If planners do not explain their strategy well to employees, or fail to give employees the whole picture, then training and setting up incentives for workers to embrace the strategy may assist.

Under-estimation of time requirements. Setting up an e-commerce venture can take considerable time and money, and failure to understand the timing and sequencing of tasks can lead to significant cost overruns. Basic project planning, critical path, critical chain, or PERT analysis may mitigate such failings. Profitability may have to wait for the achievement of market share.

Failure to follow a plan. Poor follow-through after the initial planning, and insufficient tracking of progress against a plan can result in problems. One may mitigate such problems with standard tools: benchmarking, milestones, variance tracking, and penalties and rewards for variances.

Product suitability

Certain products/services appear more suitable for online sales; others remain more suitable for offline sales.Many successful purely virtual companies deal with digital products, including information storage, retrieval, and modification, music, movies, office supplies, education, communication, software, photography, and financial transactions. Examples of this type of company include: Google, eBay and Paypal.

Virtual marketers can sell some non-digital products and services successfully. Such products generally have a high value-to-weight ratio, they may involve embarrassing purchases, they may typically go to people in remote locations, and they may have shut-ins as their typical purchasers. Items which can fit through a standard letterbox - such as music CDs, DVDs and books - are particularly suitable for a virtual marketer, and indeed Amazon.com, one of the few enduring dot-com companies, has historically concentrated on this field.

Products unsuitable for e-commerce include products that have a low value-to-weight ratio, products that have a smell, taste, or touch component, products that need trial fittings - most notably clothing - and products where colour integrity appears important.

Acceptance

Consumers have accepted the e-commerce business model less readily than its proponents originally expected. Even in product categories suitable for e-commerce, electronic shopping has developed only slowly. Several reasons might account for the slow uptake, including:

Concerns about security. Many people will not use credit cards over the Internet due to concerns about theft and credit card fraud.

Lack of instant gratification with most e-purchases (non-digital purchases). Much of a consumer's reward for purchasing a product lies in the instant gratification of using and displaying that product. This reward does not exist when one's purchase does not arrive for days or weeks.

The problem of access to web commerce, particularly for poor households and for developing countries. Low penetration rates of Internet access in some sectors greatly reduces the potential for e-commerce.

The social aspect of shopping. Some people enjoy talking to sales staff, to other shoppers, or to their cohorts: this social reward side of retail therapy does not exist to the same extent in online shopping.

Consideration

How does a business know whether they should engage in such a practice? Despite the obvious advantages to e-commerce, it does not always meet the long term needs of a company. If the market for the product is quite small, then there is no need to engage in e-commerce as it will be less difficult to gain competitive advantage and would only result in unnecessary costs and expenses. Secondly, if the company wishes to remain domestic and not expand its services, then a company would be better suited to follow the normal processes of adversiting than participating in e-commerce. Finally, a company must consider whether the business would even succeed or thrive in the e-commerce environment.

Implementation

The key to successfully starting and creating an online business is choosing the right Web host. Try to find one that offers guarantees, is flexible, responds to your concerns, and quite simply is one that offers the services that you want and need. Once you have found the right Web host for you and created an account, the next step is start building your site.

Conclusion

Online commerce is still new enough that participants are still trying to get a handle on how the rules of commercial interaction apply to

 Volume-5, Issue-7, July - 2016 • ISSN No 2277 - 8160

this new medium. The burden of smoothing the transition to online commerce falls to the creators and owners of ecommerce sites, because when a commercial transaction falters through misunderstanding or distrust, a typical buyer-to-be won't spend any effort analyzing the contradictory message cues or violated role-playing expectations. When a potential customer is frustrated, s/he will exit; the merchant has the investment in fostering the relationship, and so had better understand the mechanics of the relationship, starting with the roles.

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