

LEARNING UNIT 1

What is E-Commerce?

DEFINITION

Sharing business information, maintaining business relationships and conducting business transactions using computers connected to a telecommunication network is called E-Commerce

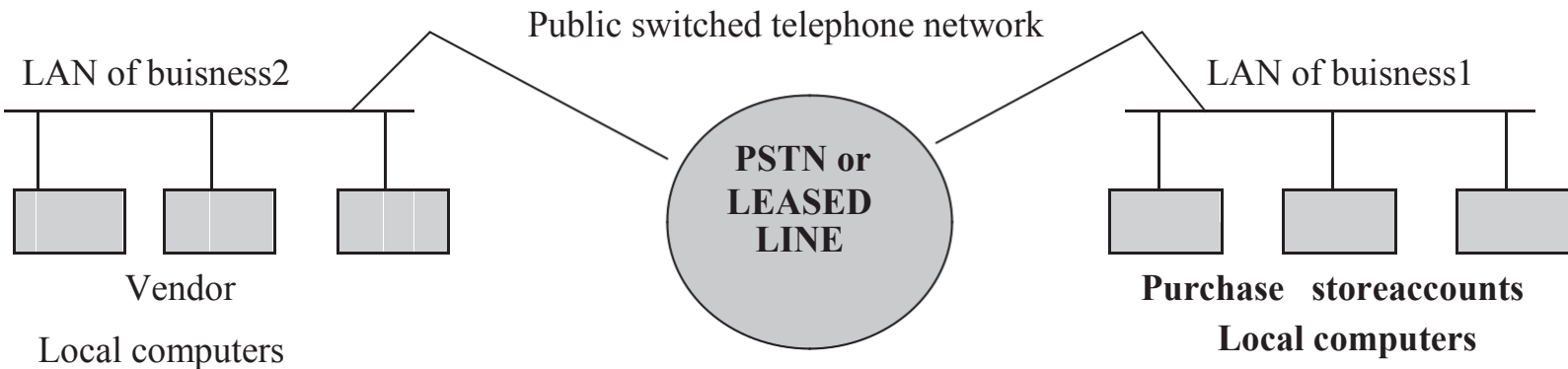
CLASSIFICATION

CLASSIFIED AS : BUSINESS TO BUSINESS (B2B)
BUSINESS TO CUSTOMER (B2C)
CUSTOMER TO CUSTOMER (C2C)

E-commerce Applications-example

- RETAIL STORES - Books, Music
- AUCTION SITES
- COOPERATING BUSINESSES –Placing orders, paying invoices etc.
- ELECTRONIC BANKING
- BOOKING TICKETS - TRAINS, CINEMA, AIRLINES
- ELECTRONIC PUBLISHING
- FILLING TAX RETURNS WITH GOVERNMENT DEPT.

Business To Business E-commerce



- Local LAN of business would normally follow TCP/IP protocol of internet and is called corporate intranet
- Purchase order entered by business1 in its PC and electronically dispatched to vendor (by e-mail)
- Vendor acknowledges electronically the order
- Vendor dispatches goods (physically) and delivery note electronically to business1
- Business 1 can compare delivery note against order -both are in computer readable form
- Discrepancy note(if any) can be immediately sent to the vendor(business 2)
- Business 1 can carry out all local transactions using its LAN
- Local transactions are inventory update by stores - advice to accounts to pay for goods taken into stock
- Accounts can make payment electronically to Vendor

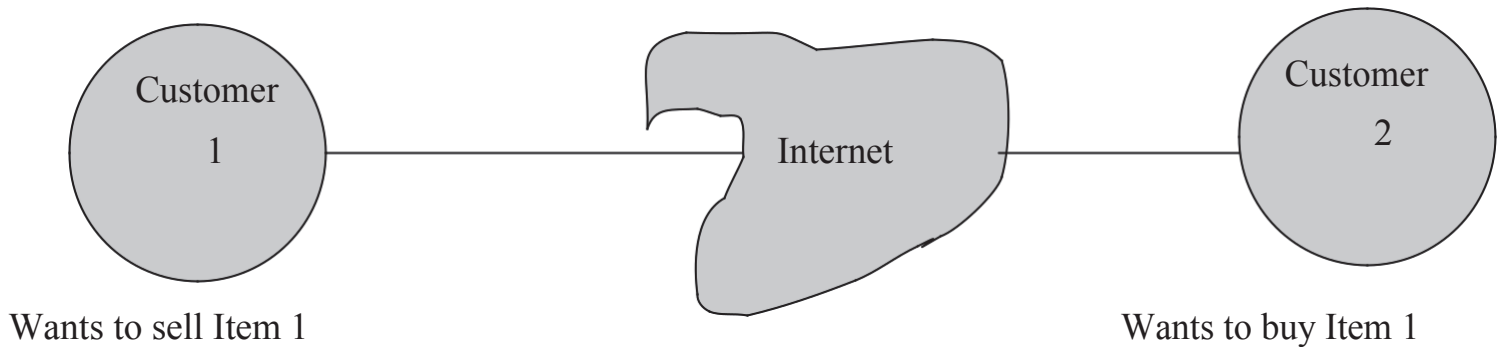
Implementing B2B E-commerce-requirements

1. Agreed on formats for Purchase order, delivery note, payment order etc. Standard known as EDI (Electronic Data Interchange Standard) is used to send documents electronically.
2. Each Business must have corporate intranet and the two nets are connected by PSTN or leased line.
3. Transactions must be secure - particularly if PSTN is used.
4. Secure electronic payment methods are required.

Steps In B2C E-commerce

1. Customer uses a browser and locates vendor or he has vendor's web page address
2. Sees Vendor's web page listing of items available, prices etc
3. Customer selects item and places order. Order may include credit card details or may be cash on delivery
4. Vendor checks with credit card company customer's credit
5. Credit card company OKs transaction
6. Vendor acknowledges Customer's order and gives details of delivery date, mode of transport, cost etc
7. Vendor orders with distributor who ships item to vendor's warehouse from where item supplied to customer
8. Customer's credit card company debits his account, credits vendor's account and sends bill to customer for payment.

Customer to Customer E-Commerce



Broker's website

- Advertises - "for sale"
- Brings together buyer and seller
- Transports items
- Collects fee from both Seller & Buyer

Advantages Of E-commerce

1. Buying/selling a variety of goods and services from one's home or business
2. Anywhere, anytime transaction
3. Can look for lowest cost for specific goods or service
4. Businesses can reach out to worldwide clients - can establish business partnerships
5. Order processing cost reduced
6. Electronic funds transfer faster
7. Supply chain management is simpler, faster, and cheaper using e-commerce
 - Can order from several vendors and monitor supplies.
 - Production schedule and inventory of an organization can be inspected by cooperating supplier who can in-turn schedule their work.

Disadvantages Of E-commerce

1. Electronic data interchange using EDI is expensive for small businesses
2. Security of internet is not very good - viruses, hacker attacks can paralyse e-commerce
3. Privacy of e-transactions is not guaranteed
4. E-commerce de-personalises shopping. People go shopping to meet others - window shop and bargain

E-commerce System Architectures

LOGICAL LAYERS	SERVICES IN LAYER
Application layer	B2B,B2C,C2C
Middleman services	Hosting services, value added nets payment services, Certificates
Secure messaging	Encryption, EDI, Firewalls
World wide web services	HTTP, HTML, XML, OLE Software agents
Logical network	Intranet, internet, extranet
Physical network	PSTN, LAN, Bridges, routers

Layered architecture