



## **A STUDY ON SIGNIFICANCE OF E-COMMERCE IN EMERGING MARKETS**

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### **ABSTRACT**

The term “e-commerce” is one way to express the potential of ICT to reshape all kinds of economic transaction processes. It affects all stages of communication before, during and after deliver of goods or services, and the payment flow respectively. This paper finds out how within the field of e-commerce a new breed of B2C and P2P market segments for buying and selling digital goods and services is emerging. The paper also focuses on the integration of payments and payment related steps in both areas of retail e-commerce. The paper makes an in depth analysis of the interfaces between actors and their respective systems, e.g. between customer and merchant, merchant and payment service provider, payment service provider and banking system. The paper is basically intended to make us understand how the process of economic development within a community is integrated with the new ICT based services especially e-commerce in developing countries.

**KEYWORDS:** Principal components, Community economic development, E-Commerce Opportunities and E-Commerce Business Models.

### **INTRODUCTION**

Electronic Commerce (E-Commerce) has almost overnight become the dominant on-line activity. Equally quickly it has become a significant element in commercial activities globally, both in the developed and developing countries where suitable infrastructure support is available or likely to be available. E-Commerce, of course, has no single definition, meaning only commercial activity which is somehow linked to or supported by electronic communications. It may be anything from a simple advertising presentation available on the World Wide Web, or an e-mail communication; all the way to an entire multi-million dollar transaction initiated and promulgated in electronic form up; to and in some cases including the actual delivery via the net of information intensive goods or services.

### **ADVANTAGES OF E-COMMERCE**

The advantages of E-Commerce from a commercial perspective are numerous:

1. Online and more or less instantaneous searches with an unlimited number of criteria such as description, category, subcategory, location, color, size, and price range-i.e. The use of computerized information management for a huge and rapidly expanding globally distributed knowledge/information base along with the availability of full color media including graphics, animation, sound and now video and no space or time limitations as to information delivery.
2. Full two-way 24 hours/day, 7 days/week communications/information access capability which allows for instantaneous response and feedback concerning product/services and related information.
3. Full processing of transactions (including delivery) for information intensive goods such as software, text, images, video, and music; downloadable directly to the consumer's computer at the time of purchase and including the opportunity for limitless product comparison. All of this leads directly to greatly intensified competition in these markets and lower margins, reducing costs to the end user.
4. The elimination of the need for middlemen (disintermediation), leading to lowered transaction costs (including marketing, sales, transaction processing), reduced overhead, and reduced inventory and labor costs.
5. The delivery of after-sales service and support directly and low cost.



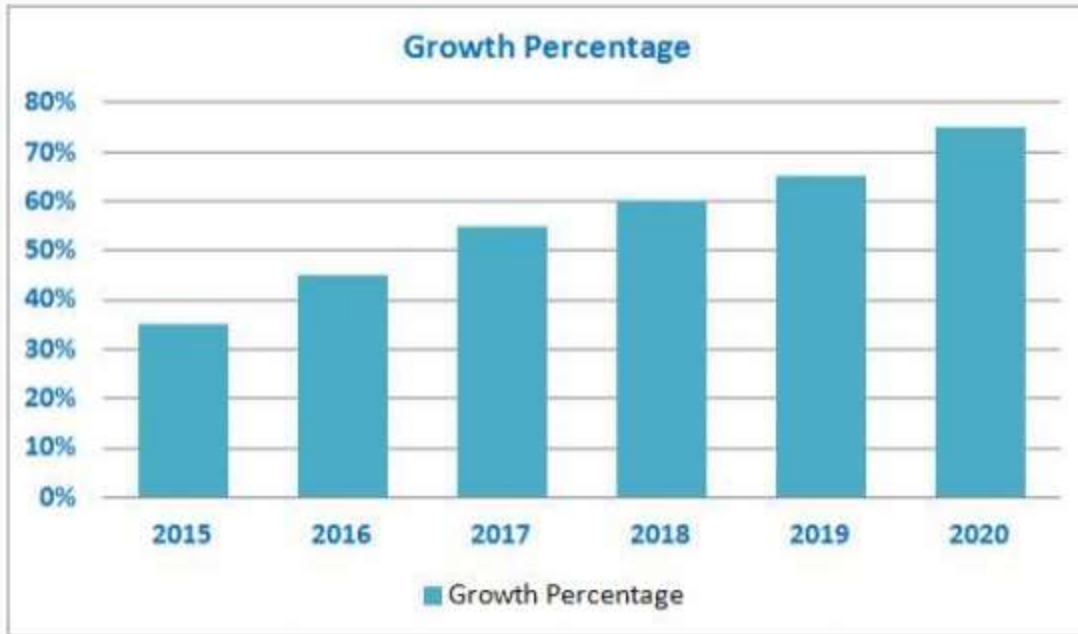
## COMPONENTS OF E-COMMERCE

The principal components of e-commerce include:

1. Web Browser– A software program that allows people to access the World Wide Web. Internet Explorer and Netscape Navigator are the two most popular Web browsers.
2. Web Servers– Computers that host the information that Internet users access via their Web browser. Web servers are special Internet computers that store and deliver (serve) Web pages. A Web page is a specially formatted document that you can view in your Web browser. A Web server can host one or more Web sites.
3. Payment System/Transaction Manager– Electronic money exchanges including via (primarily) credit cards, electronic checks, smartcards, digital cash, and electronic funds transfer (EFT). The Significance of E-Commerce in Emerging Markets 75.
4. Standards (existing and emerging)– Methods for facilitating e-commerce interactions include and are meant to ensure transaction security, reliability, Electronic Data Interchange, and privacy.
5. E-Commerce Software– To the end user, the most visible part of the e-commerce system is the software that puts it all together. The basic functions of e-commerce software include: customer registration and authentication, online catalog viewing, order capturing and processing, customer service (e.g. enable customers to check order status and order history), and reporting and analysis (tools to analyze the activity on the e-commerce site for customer tracking). Optional functions include order fulfillment and payment processing, to name a few.
6. E-mail– Electronic mail serves as a support E-commerce Web sites.
7. Mailing List Server– An optional component of E-commerce is a mailing list server which automates the management of mailing lists for groups of users.
8. Search, Intelligent Agent, and Knowledge Management technologies these include the variety of software tools for “managing” information on the Net- “spiders”, “bots”, “inference agents” and so on.
9. Multimedia and broadband access technologies.

## E-COMMERCE AND COMMUNITY ECONOMIC DEVELOPMENT

- E-Commerce tends to shift economic activity towards pools of skill or in otherwise advantaged locations (because of climate, geography and so on) and away from marginal or disadvantaged regions.
- The success of E-Commerce is often at the expense of local enterprises who now find themselves in direct competition with huge number very low cost suppliers who maybe located anywhere.
- The range of goods available on the Net is very large and cannot be matched by any supplier let alone smaller local ones thus putting local enterprises at a significant disadvantage in certain sectors.
- The cost of developing an effective E-Commerce site has risen dramatically and is now out of the range of many local enterprises.  
There is an on-going migration of the variety of information intensive services to the Net and away from local delivery (and local employment) as local distribution or service agents are centralized and down-sized as for example banks, government information offices, the producers of local directories and so on.
- Disintermediation allows local purchasers to by-pass local suppliers or local wholesalers and buys directly from manufacturers thus eliminating whole strata of local intermediaries.



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### **E-COMMERCE OPPORTUNITIES FOR COMMUNITY ECONOMIC DEVELOPMENT**

It is notable and interesting that one of the most active areas for business development in E-Commerce has been attempts to develop “community” E-Commerce web-sites or portals. There have been a number of attempts in this direction including failed attempts by Microsoft and a variety of start-ups which looked to create E-Commerce portals. These for example, attempted to provide substitutes for local newspapers with local news, sports and entertainment information, or in other cases civic and civic government information. In general, they are looking to “capture eyeballs” through these locally oriented web-sites, on the well known principle that individuals are mostly interested in things that are relatively close physically to themselves and their families.

Many of the free-standing commercial “community portal” sites have disappeared or are not being updated. They do not have sufficient advertising revenue to support the cost of the staff required to keep the sites up-to-date. A number of sites linked to local newspapers are still surviving since they can reuse information collected for other purposes, but even these do not appear to be independently profitable.

### **E-COMMERCE BUSINESS MODELS FOR COMMUNITY ECONOMIC DEVELOPMENT**

A quite large number of business models have evolved in the short lifespan of E-Commerce to support the transactions and to take advantage of the unique capabilities which the Internet and the World Wide Web afford. A number of these models are being or could be adapted to support local and CED enterprises along with the enterprises at a distance for which they were originally developed. There are a number of E-Commerce business models and here the paper suggests how they are being or could be used in a Community Economic Development (CED) context.

### **THE WEB-SITE AS AN ON-LINE BILLBOARD**

The first and still most common use for the WWW is as a substitute for conventional display advertising whether in paper, billboard or other format. The idea is that one does one’s advertising copy and then finds someone to put it into HTML and onto a server and then waits for the traffic to flow. Of course, sometimes it does and there are anecdotes about rug weavers and hammock makers who have increased their sales by factors of 1000 or more but there are fewer stories about the hundreds and thousands of local business folk who have paid for display web-sites and found that no one visited them. A variation on this are sites which attempt to consolidate information and links relating to a sector or region (also known as a “portal”). The advantage of a portal is that where one enterprise might have difficulty in generating traffic to the site, a site which gives access to a number of enterprises might generate much more traffic. This principle has proven partially true, but the problem has been that the proliferation of sites has now been matched by the proliferation of “portals” all competing for the same users and often in overlapping areas.



### **THE ATTENTION BUSINESS: PORTALS AND TRAFFIC-BUILDERS**

The first and still most common business model on the WWW is based on the initial function of the web-site as a place to display/present information or graphics and in this way capture “attention”. Having captured the attention, the use to which that attention was put has been primarily to push advertising at the site user and then to charge the advertiser for having captured the users attention and used it in this way. The more “attention” captured and thus the more and more elaborate, eye-catching, knowledge and service rich the site/portal, the more the advertising on the site could be sold for.

### **ADDING VALUE: A “SERVICE” MODEL**

A number of web-sites have been developed whose function is to grab attention by providing the user with one or another type of service-email, web hosting, rate calculations and soon. The notion here is again that by getting the user’s attention this in turn can be re-sold. In the CED world it maybe possible to see a different opportunity. Since the local users will be one’s with a clearly specifiabale range of interests and service requirements, it should be possible to develop a range of locally focused services including information, news, links, useful applets and so on which are ofsufficient value to their local users that they may either be willing to pay a subscription fee, or give a contribution to support the site or alternatively it may be possible to find someone willing to sponsor the site simply to be associated with it. This kind of development serves two functions-developing a local E-Commerce activity (and employment) and also providing an otherwise unavailable or costly set ofservices to the local community.

### **A COMMUNITY “E –COMMERCE COMMUNITY” MODEL**

A very “hot” area in commercial E-Commerce is the building of “virtual communities” in association with web-sites and linking these to their associated products or sponsors. The notion is being that ifan individual comes to identify with a (in this case “virtual”) community then they are more likely to accept the norms of that community and their behavior as a consumer will be influenced as a result, including and not incidentally overcoming the distrust which seems to accompany much on-line interaction.

### **BROKERING OR FACILITATING TRANSACTIONS**

One of the most active areas for development on the net has been the replacement of brokers or mediators in some areas and their redevelopment in others. The range of information access and the speed of communications allows for the development of a new brand ofintermediaries who are in a position to negotiate “with the world” on behalf of the individual or the group as for example by putting together groups ofunconnected consumers as units for negotiating best prices with suppliers.

### **AUCTIONS OR DYNAMIC PRICING**

A very familiar by now form ofbusiness activity on the Net is the “auction” as for example that undertaken by eBay. These are now also available for a very wide range ofgoods and services where previously auctions were unknown such as for airplane tickets, hotel rooms, industrial components and so on. The unique communication and information management features of the Net (not excluding the capacity of the net for facilitating and presenting feedback on suppliers and purchasers) have facilitated this development.

### **E-MONEY**

An intriguing development is what is being called E-Money or money which only exists in the virtual domain. An example ofthis is “Beanz.com” which provides a facility for electronic payment in an on-line currency they call “Beanz” which can be used in the purchase of goods or services from co-operating sites or businesses. Individuals in this case, receive “Beanz” for visiting web-sites, for undertaking transactions on web- sites and so on. Importantly the management of the transaction and of individual client and supplier accounts is done electronically and for free to the user, through the “Beanz” site (and back office).

### **E-MARKET**

E-marketing is the marketing of goods and services through the internet. It makes it easy for businesses to reach a wide range of potential customers due to the large number of people using the internet today. E-marketing is crucial for business for a few reasons, as it:

- Allows you to find and target potential customers online
- Let you more efficiently communicate with your audience
- Personalize your marketing strategy based on customers’ interests
- Increase your brand’s visibility



- Get quality leads actually interested in your product

Various technologies are used in e-marketing, allowing shoppers to read ads, use/receive coupons, view pictures of products, compare prices, and make purchases with a few clicks of a mouse. Which saves time and money.

## CONCLUSION

The future as they say in technology circles is wireless, mobile, multi-media (voice, video, 3D) and broadband. All of these technology changes are rapidly developing and being incorporated into on-line and E-Commerce activities. From a CED perspective they are also following the path of earlier on-line technologies with a very steep decline in entry cost and ease of use or the non-professional user. Thus while CED enterprises need not be “first” users they certainly need not be “last” users nor should they be. Commercial firms are discovering that at least one leg of the stool on which virtual commerce is resting and will continue to rest is face to face physically delimited communities and it is here, where the on-going and future strength and opportunities for growth and development of CED rests. By recognizing that E-Commerce and the opportunities it presents is no more technologically or dare it is better to say that they are ideologically daunting than credit cards or ATM machines and thus the possibility for E-Commerce to enhance the growth and local contribution of CED is significant.

E-commerce still represents one of the business methods that take advantage if done the right way, even if the stock market and commodities fell, but E-Commerce still able to survive and receive high transaction. E-commerce has a tremendous opportunity in the course of or business in Malaysia. In addition, it is also to introducing new techniques and styles in a transaction. Use the extensive E-Commerce in the Internet world is actually much better to bring the goodness of the individual or the state. E-Commerce has undeniably become an important part of our society. The successful companies of the future will be those that take E-Commerce seriously, dedicating sufficient resources to its development. E-Commerce is not an IT issue but a whole business undertaking. Companies that use it as a reason for completely re-designing their business processes are likely to reap the greatest benefits. Moreover, E-Commerce is a helpful technology that gives the consumer access to business and companies all over the world.

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