

QUESTION NO. 1:- Define Commerce and E-Commerce. Differentiate between Traditional Commerce and E-Commerce?

Commerce:-

1. "All the activities of business like buying, selling, and marketing, advertising and managing all the activities to run the business smoothly are called commerce."
2. "Exchange of goods and facilities which help in this exchange are known as commerce."
3. In simple words, "Trade and aids to trade e.g. transportation, warehousing, banking, insurance, advertising and middlemen are called commerce."

E-Commerce: -

1. "The process of doing the business electronically is called E-Commerce."
2. "E-Commerce means the production, distribution, marketing, selling OR delivery of goods by electronic means."
3. "E-Commerce is the application of technology towards the automation of business transactions and workflows"
4. "Commercial transactions B2B and B2C which occur through networks such as Internet are known as E-Commerce"

Points of Difference	Traditional Commerce	Electronic Commerce
(1) Means	Means of traditional commerce are self post, messenger.	Means of E-Commerce are E-mail, Internet, EDI and web.
(2)Efficiency	Efficiency is decreased in Traditional commerce.	Efficiency increased in E-Commerce.
(3) Market	Market is often local in Traditional Commerce.	Market is global in E-Commerce.
(4) Evidence	Written evidence of transactions is available in	In E-Commerce the transactions is either not

	shape of correspondence in case of Traditional Commerce.	available or too difficult to provide the evidence.
(5) Security	Transactions and information by buyer/seller is more secured in traditional commerce.	There is no or less security in E-Commerce.
(6) Capital Cost	Capital/Initial cost is low in traditional commerce.	Capital/Initial cost is high in E-Commerce.
(7) Transaction Cost	Transaction cost is high in traditional commerce.	Transaction cost if low in E-Commerce.
(8) Time Saving	In traditional commerce extra time period is required for the execution of transactions.	Time saving is possible in case of E-Commerce due to the use of modern technology.
(9) Technical Know-How	Technical Know-How is not required in traditional commerce.	Technical Know-How is compulsory in E-Commerce.
(10) ECT's & ICT's	ECT's & ICT's are not needed in case of traditional commerce.	ECT's & ICT's are necessary for both parties in case of E-Commerce.

- ECT's (Electronic Commerce Technology)
- ICT's (Information & Communication Technologies)

QUESTION NO. 2: - Define E-Commerce and explain the types of E-Commerce?**E-Commerce: -**

5. "The process of doing the business electronically is called E-Commerce."
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Types of E-Commerce: -

	Business	Customer
Business	B2B	C2B
Customer	B2C	C2C

(a) Business to Business (B2B) E-Commerce: -

1. "When two businesses make transactions using the ECT's and ICT's, such type of E-Commerce is known as Business to Business E-Commerce."
2. "Linkage of two or more organizations by electronic devices is called Business to Business E-Commerce." It is also termed as Inter-organizational E-Commerce.

ECT's (Electronic Commerce Technology)

ICT's (Information & Communication Technology)

Examples: -

- i. Orders placed by Amazon Book Publishers to their suppliers (i.e. companies producing papers) through electronic means.
- ii. Service Shoes Company communicates and transacts with Leather Suppliers by EDI, E-mail etc.

(b) Business to Consumer (B2C) E-Commerce: -

1. “When the consumers make inquires requires details of the goods OR places the order of certain products, it is called Business to Consumers E-Commerce.”
2. “Usage of electronic means by consumers for the transactions with some business is referred as Business to Consumer E-Commerce”

Example: -

- i. Inquiry made by Sunshine Traders from United Four Company in shape of requiring the catalogue.
- ii. Order placed by Ahsan via Internet to Rathan Best Foods.

(c) Consumer to Business (C2B) E-Commerce: -

1. “When consumers make a group for the purpose of transacting with a business electronically, it is known as Consumer to Business E-Commerce.”
2. “Aggregate of some customers for improving their bargaining position while trading with an organization through electronic means called Consumer to Business E-Commerce.”

Examples:-

Pearson Education Asia received orders from a group of whole sellers.

(d) Consumer to Consumer E-Commerce: -

“When two or more consumers sell their goods (e.g. in auction) by using web, internet, or EDI etc. is called consumer to consumer e-commerce. It is also named as peer-to-peer E-Commerce.”

Example:-

Selling the books on “e-bay” by various customers.
(www.ebay.com)

E-Commerce

QUESTION NO. 3: - What are the advantages (or) Importance (or) Role of E-Commerce?
OR Why we adopt E-Commerce?

1. Increase in productivity (with the help of ECT's & ICT's)
2. Increase in efficiency (due to the fast means of communication)
3. Reduction in operational costs (e.g. cost of e-mail is very low)
4. Innovation of new markets (by modern ways of trade like web & internet)
5. Globalization of markets (technology has made the world a global village)
6. JIT system (no need to stock the goods OR zero inventory system)
7. Quick information about market & competitors (more sources of getting information which results in competitive advantages)
8. Low global information cost (with the help of www)
9. Better management of organization (with the help of intranet)
10. Reduces business cycle (intermediaries are eliminated extra profit can be earned by an organization and goods can be delivered more rapidly)
11. Improvement in inter-company & intra-company data flow (new policies of the organization can easily be delivered to different department of a business. Moreover, different organizations can also exchange the data between them)
12. Avoids paper transactions (in this way filling of various records is not required, time is saved and less employees are required)
13. Customer care & information
14. Universal connectivity (with the help of www & internet)
15. Increase in speed of business (time is saved)
16. Twenty Four-Hours business.

QUESTION NO. 4: - What are the Benefits of E-Commerce?

BENEFITS OF E-COMMERCE

Few innovations in human history encompass as many potential benefits as EC does. The global nature of the technology, low cost, opportunity to reach hundreds of millions of people (projected within 10 years), interactive nature, variety of possibilities, and resourcefulness and rapid growth of the supporting infrastructures (especially the Web) result in many potential benefits to organizations, individuals, and society. These benefits are just starting to materialize, but they will increase significantly as EC expands.

The Benefits of E-Commerce

- The new markets could be accessed through the online and extending the service offerings to customers globally.
- Internet shrinks the globe and broadens current geographical parameters to operate globally.
- Marketing and promotional campaigns can be done globally at the reduced cost.
- Retaining the customer and the customer services could be improved drastically.
- Strengthen relationships with customers and suppliers?
- Streamline business processes and administrative functions
- No added sales staff
- A catalogue which is quickly and easily updateable. This means that when prices or stocks are changed, you don't have to have hundreds or thousands of obsolete catalogues lying around. You don't have to wait for the printer to deliver the catalogue before the new prices can come into effect.
- The facility to advertise daily, weekly or monthly 'specials' and sales, or any special discounts - and they can be changed within minutes, when and if necessary.
- You can also add a marketing message which highlights your strengths, such as the range and quality of your products or services - or anything else you want to tell your customers.

(a) Benefits to Organizations

- Electronic commerce expands the marketplace to national and international markets. With minimal capital outlay, a company can easily and quickly locate more customers, the best suppliers, and the most suitable business partners worldwide.
- Electronic commerce decreases the cost of creating, processing, distributing, storing, and retrieving paper-based information. For example, by introducing an electronic procurement system, companies can cut the purchasing administrative costs by as much as 85 percent.

- Ability for creating highly specialized businesses. For example, dog toys which can be purchased only in pet shops or department and discount stores in the physical world, are sold now in a specialized www.dogtoys.com
- Electronic commerce allows reduced inventories and overhead by facilitating “pull”-type supply chain management. In a pull-type system the process starts from customer orders and uses just-in-time manufacturing.
- Electronic commerce reduces the time between the outlay of capital and the receipt of products and services.
- Electronic commerce initiates business processes reengineering projects. By changing processes, productivity of salespeople, knowledge workers, and administrators can increase by 100 percent or more.
- Electronic commerce lowers telecommunications cost-the Internet is much cheaper than VAN's.
- Other benefits include improved image, improved customer service, newfound business partners, simplified processes, compressed cycle and delivery time, increased productivity, eliminating paper, expediting access to information, reduced transportation costs, and increased flexibility.

(b) Benefits to Consumers

- Electronic commerce enables customers to shop or do other transactions 24 hours a day, all year round, from almost any location.
- Electronic commerce provides customers with more choices; they can select.
- Electronic commerce frequently provides customers with less expensive products and services by allowing them to shop in many places and conduct quick comparisons.
- In some cases, especially with digitized products, EC allows quick delivery.
- Customers can receive relevant and detailed information in seconds, rather than days or weeks.
- Electronic commerce makes it possible to participate in virtual auctions.
- Electronic commerce allows customers to interact with other customers in electronic communities and exchange ideas as well as compare experiences.
- Electronic commerce facilitates competition, which results in substantial discounts.

(c) Benefits to Society

- Electronic commerce enables more individuals to work at home and to do less traveling for shopping, resulting in less traffic on the roads and lower air pollution.
- Electronic commerce allows some merchandise to be sold at lower prices, so less affluent people can buy more and increase their standard of living.

- Electronic commerce enables people in Third World countries and rural areas to enjoy products and services that otherwise are not available to them.
- Electronic commerce facilitates delivery of public services, such as health care, education, and distribution of government social services at a reduced cost and/or improved quality. Health-care services, for example, can reach patients in rural areas.

E-Commerce

QUESTION NO. 5: - E-Commerce is very popular but not so popular in Pakistan. Why?

OR

Why E-Commerce is not clicking in Pakistan?

OR

Explain the limitation & drawbacks of E-Commerce?

E-Commerce provides a lot of benefits to both buyers and sellers. It has revolutionized the business world by introducing low cost operations, time saving communications, competitive edge, better control and management of business and global linkage. But yet it is facing some problems in our country. The adoption rate of E-Commerce in Pakistan is far away from modern countries. Our country is just the initial stage of electronic commerce. For example, in foreign countries, payment by credit cards and other cards is a routine work but in Pakistan, this facility is available at few places in big cities to elite people. Following are those prominent reasons due to which E-Commerce is not gaining popularity in our country.

a) No or Less security of E-Transactions: -

Transactions can be hacked and interrupted in case of E-Commerce. Credit card numbers can be stolen and misused. Moreover, if the supplier supplies the goods but buyer does not make the payment, there is no or less security for supplier.

b) Increase in Capital/Initial cost of Transactions: -

E-Transactions, we need infrastructure in shape of computers, modems, internet and phone lines etc. that needs a heavy cost. Moreover, developing the websites and services of experts are also very costly.

c) Lack of Standards: -

There is no standard of developing websites, for billing and receiving the payment, for placing and order and sending the e-mail etc. There are no global standards for such activities as there are international accounting standards (IAS).

d) Bandwidth Problems OR Technological Problems: -

Transactions are only possible when all the trading parties have required E-Commerce technologies. If one party is not having these technologies, the other parties also can't use their ECT's.

e) Legal Issues & Problems: -

Illegal transactions and smuggling etc. can be stopped in traditional commerce, but it can't be stopped if ECT's carry such illegal transactions. For example, CD's containing unethical data can be stopped in traditional commerce, but such data can freely be delivered through Internet. Moreover, such illegalities are very difficult to trace and control.

f) No Proof of Transaction: -

If buyer sends an order but refuse later on, the seller may suffer a lot. On the other hand, if seller says that "I haven't received the order", then there is no proof available in case of E-Commerce. But it can be proved in traditional commerce by means of correspondence.

g) Lack of Awareness: -

By awareness we mean the introduction and knowledge about something. Most of the Pakistani population is completely unaware from the concept and merits of E-Commerce. Even many of the experience Businessmen are not fully aware of it. The reason behind this is technological backwardness of our country.

h) Rapid change in Software: -

The software used in electronic commerce are dynamic and ever changing. Due to the change in software, the old ones don't meet the organization's requirements. Moreover, the acquisition cost of new software requires additional costs, which are also a burden for the business.

i) Low Literacy Rate: -

The literacy rate of our country is less than 30%, which is quite low. It includes those people also, which can't read the books and newspaper. Due to this low literacy rate, the global language (i.e. English) can't be used and understood by the general public, which is a great hindrance in the development of E-Commerce.

j) Infrastructure Problem: -

For the adoption of electronic commerce, the facilities like electricity and phone lines etc. are required in country. But in Pakistan, many of the areas are deprivation of these facilities which result in a hurdle for the development of E-Commerce.

k) Heavy cost for medium level business: -

To convert a business from traditional to electronic, large amount of finances is required but this cost of modern setup is not affordable for medium level business. Small businesses hardly manage their capital requirements. So the surplus funds are not available to modernize the business.

Conservatism: -

Some people don't want to modernize their business. They consider that their traditional means of business are more beneficial than the electronic means. So their conservative thinking disables them to develop their organization.

l) Increase in Unemployment: -

In traditional business, many employees are recruited for handling the manual work. But in case of electronic commerce, fewer persons are required to handle the computerized business and capital-intensive technology. In this way, E-Commerce deprives many of the organization's employees from their job.

m) Economic Problem: -

By using the modern means of business, financially strong organizations create their monopoly because their business gains more popularity and expansion. But small organizations can't adopt the electronic commerce and as a result fail to compete the large-scale businesses, and fail to pay their role in the development of country's economy.

E-Commerce

QUESTION NO.6: - How can we adopt the E-Commerce? OR What are the issues, obstacles and challenges of E-Commerce?

Following are the main issues, which must be tackled for adopting the E-Commerce.

1. Money Issues:

For adopting the E-Commerce, heavy amount of funds is required. Two main cost in this respect are Hardware cost and software cost.

i. Hardware Cost:-

Physical components of computer technology are called Hardware. Main Hardware for E-Commerce is as under:

(a) Infrastructure:-

It includes electricity, net connections and telephone lines etc.

(b) Computers:-

It is a dumb device, which acts according to the instructions of users. It is just like a typewriter many advance features.

(C) Servers: -

Server means a computer, which controls, stores and transfers the data among different computers, which are called 'clients'. Server has two types:

- 1) Networking Server (it is used in LAN, WAN & MAN)
- 2) Web Server (a server from which we open the web site and get the required information)

(d) Router: -

Router is the technology (both Hardware and software), which is used to transfer the large data and files in a proper way. It is not a necessary device that facilitates the process of transferring the data and files.

(e) Cables: -

Wires, which are used to link various devices and for power supply are called cables e.g. wire cable, net cable and inter-connecting cables.

(f) Modem: -

It is the abbreviation of modulation and demodulation. Modem is a device that converts the binary system into analog system and vice versa.

(g) Hub: -

Hub is a device that is used in networks. It connected with many computers at the one and same time to convey the main server message to all the clients connected with hub.

ii. Software Cost:-

The intangible and logical parts of computer that have no physical existences are called software.

The software cost for adopting E-Commerce are as under:

- (a) Software programming on CD's
- (b) License Cost
- (c) Technical Persons

2. Technology Issues: -

Technology is the main component of E-Commerce. Just Hardware and software are not sufficient. The organization has to develop the technology to turn the business from traditional into electronic.

After getting computers, cables, modems etc. the organization needs the system of ordering, billing, receiving the orders and payment system on the computers.

3. Other Issues: -

- i. Cultural & Language Barriers
- ii. Policy of the Government
- iii. Trade Rules (local, national and international rules. Only 900 items can be imported from India)
- iv. Legal issues (Rules regarding the trade by electronic means)
- v. Changing Political Environment (Either the Govt. is socialist OR capitalist, and there is privatization or nationalization in the country)
- vi. Security Issues

QUESTION NO. 7: - Define Internet and differentiate between Internet and online?
-----**Definition:-**

1. "Internet is a network of wires, routers and communication links."
2. "Internet is a group of world-wide information high-ways and resources that enable the world to truly become and information society."
3. "Internet is a network of networks linking the computers world wide"

Difference	Online	Internet
Key Characteristics	Close standards i.e. strict & specific rules.	Open standards i.e. no strict rules
Pricing	Higher at the start but gradually decreased (FC + service charges)	Flat rates are charges
Knowledge	Less knowledge is required	Technical knowledge is needed
Advantages	Less than internet	More benefits
Innovation	Innovation is difficult	More chances of innovation
Source of Revenue	Revenue depend upon its usage	\$20, \$30 for common users but \$500 for organization
Scope	Less scope as compared to net	Broad Scope
Modification	Users can modify its contents	Users are not allowed to modify