Challenges and Suitability of E-Commerce for Small Enterprises

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ABSTRACT
Of late, invent and innovate have become the key mantras of modern marketing. In this process, marketers have evolved one after another newer modes of marketing to meet the requirements of their customers. Electronic Commerce, popularly called 'E-Commerce' has emerged as the modern day avatar in marketing. It has become the buzzword of the day. It has been assuming acceptability and popularity by leaps and bounds in the present day business. Given such backdrop, it seems pertinent to examine and explore the suitability of e-commerce for small enterprises in our country. This paper, accordingly, deals with the, suitability and challenges the small enterprises are facing in India.
Key Words: E-Commerce, EDI, CRM, Digital Illiteracy, Cyber Laws, Ethics

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I. Introduction

The key mantras of modern marketing in recent times are to invent and innovate. Newer modes of marketing have been evolved one after another by marketers to meet demands of their customers. E-Commerce has emerged as the modern day avatar in marketing. It has become the buzzword of the day. It has been assuming acceptability and popularity by leaps and bounds in the present day business. It is in this backdrop the suitability of E-Commerce for small enterprises in our country is examined and explored.

Meaning of E-Commerce:

E-Commerce is the process of doing business electronically or over internet. E-Commerce is a modern methodology that addresses the need of organizations merchants and customers. It cuts costs while improving the quality of goods and services and increasing the speed of service delivery.

The most widely accepted and used definition of E-Commerce is one given by the World Trade Organization. According to the WT0, ".production, distribution, marketing, sale or delivery of goods and services by electronic means. A commercial transaction can be divided into three main stages: advertising and searching stage, ordering and payment stage and delivery stage. Any or all of them may be carried out electronically and may, therefore, be covered by the concept of electronic commerce'.

Evolution and Growth:

The evolution of e-commerce is traced back to 1970's with the emergence of internet. E-C0mmerce was developed for the business community in the early 1970's to facilitate processing high volume and high value transactions electronically. Electronic Data Interchange (EDI) was the first business-to-business (B2B) application. Subsequently, internet added a prodigious new dimension to e-commerce. The power of the Internet, as a global access, was realized with the arrival of the World Wide Web (WWW) in 1994. Never in the history of mankind has a popular innovation spread as fast as internet. US has been considered the leader in the application of e-commerce.

After its fast debut in US, e-commerce is rapidly spreading beyond US boundaries and is growing speedy global. Numerous e-commerce success stories abound in Europe.

The origin of e-commerce in India coincides with the introduction of Internet connectivity in the country in 1989. As such, e-commerce in India is in its infancy. Historically, Rediff-on-the-net, one of India's leading online services, set up India's first e-commerce on August 13, 1998. Then, India entered the age of e-commerce the day the government deregulated the Internet Service Provider (ISP) policy in November 1998. Since then, there is no looking back and the country is proliferating in Internet. The rate of growth of penetration of Internet has been spectacular. It took radio 50 years to have 50 million owners, T.V. 16 years and personal

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computers 17 years. But it has taken Internet only 4 years to reach that figure after the invention of WWW and browsers.

Another point worth mentioning is that the expansion of e-commerce in India, so far, has been uneven concentrating in a few metropolitan cities, namely, Bangalore, Hyderabad, Mumbai and Delhi. The common man residing in rural areas of the country is, however, still unaware of happening in Information Technology sector. Obviously, much progress in e-commerce cannot be achieved until the country's vast rural sector is not bought within the folds of Internet. Hence, hitherto untouched rural sector by Internet so far offers a great potential for e-commerce in India.

Benefits

E-commerce is a win-win situation for the consumer and the product/service provider. The distinct advantages e-commerce can offer to the consumer are:

1. Consumers have a much wider choice available on the cyber market.
2. They can compare products, features, prices and even look up reviews before they select what they want.
3. They also have the convenience of having their orders delivered right to the doorstep.
4. Finally, consumers are driven to e-shopping in hordes as even branded goods cost less on the Net.

The major advantages that e-commerce can bring to the companies are:

1. **It minimizes inventory cost.** E-commerce venture need not maintain huge inventories or expensive retail showrooms. Their marketing and sales force is a fraction of that of traditional mortar-based businesses. E-commerce can minimize inventory costs by adopting just-in-time system enhancing the firm's ability to forecast demand more accurately.

2**. It can improve customer services**. It has been found that providing both customer and after-sale services account for upto 10 per cent of the operating costs. By putting these services on-line under e-commerce, these costs get reduced, on the one hand, and simultaneously the quality of services also gets improved, on the other. High quality customer relationship called "customization" is crucial for retaining customers in the e-commerce environment. That is the reason why customer Relationship Management (CRM) has become the buzzword which everybody is talking of now. E-commerce provides ample opportunity for CRM solution and, therefore, in establishing better relationship with the customers. It becomes absolutely necessary for the company to enhance customer loyalty, otherwise the customer who is full of choices, can jump from one website to another. If company is to stay in business then it will have to deliver the products or services to customers as they want, when they want and how they want.

3**. It reduces distribution costs as well**. The Electronic Data Interchange (EDI) based on OECD study has revealed that the time needed to process an order declined abruptly by a minimum of 50 per cent to a maximum of 96 per cent. It is really amazing.

4**. It helps business globalize**. As stated earlier, e-commerce by minimizing costs enables companies especially small ones to make information on its products and services available to all the potential customers spread over worldwide. This is well confirmed by Amazon.Com, founded by Jeff Bezos, the largest bookstore in the net by taking away a large amount of sales from the traditional booksellers. In India, the experience of rediffusion-on-the-net presents the similar case.

5. **It helps market products more quickly**: By taking the entire product design process on line, drawing partners and customers into the process and removing the traditional communication barriers, companies can bring products and services to market for more quickly.

E-commerce suitability for small enterprises:

Like elsewhere in the world, small enterprises play a vibrant and vital role in the India economy as well. They contribute significantly to the national production, employment, equity and export. Because of the significance of small enterprises worldwide, it is increasingly being realized that if small sector gets left behind in the information, then the whole economy gets left behind. Given the need of the hour, small enterprises, therefore, cannot have the luxury to adopt a wait and watch attitude in the matter of marketing. Late adoption of e-commerce will adversely affect the small enterprises for years to come.

With strong realization, small enterprises worldwide are turning to the use of modern technology to compete with their big brothers- medium and large size enterprises. According to a survey conducted by the Yankalovick Partners Inc., 90 per cent of the small enterprises in US are using wired technology in their operations. Numerous e-commerce success stories abound in other countries as well.

In India too, Internet based business is set in and is in offing. In fact, initial signs are already visible in the market place. To quote, while Delhi housewives log on to cyberspace to place an order for vegetables (bababazaar.com*),'paans' are' made available in Mumbai at a mouse-click. Image, farmers in Madhya Pradesh log on to the Net to update themselves on the wholesale prices of vegetables and commodities in the region before deciding on the price for the day[3]. The penetration of e-commerce in the national economy is on. It is

steadily moving towards rural India. To quote, in the Warana village and other like Nayla village in Rajasthan, net has become a vital aspects of daily economic life of the villagers.

The information revolution has opened up a great deal of potential for small enterprises in the marketing field. The excellent opportunities e-commerce offers to small enterprises are to:

- Access new markets
- Improve customization
- Lower various kinds of costs
- Reduce the size of the enterprise
- Sell products/goods into global market

It is e-commerce that facilitates, for example, a tailor is Sweden to make a suit by hand for a lawyer in London. Similarly, a software designer in Bangalore to write a programme to a firm located in Moscow. The fact remains that e-commerce has empowered small enterprises like nothing else had done so in the past. E-commerce has emerged as an opportunity for small enterprises. Not making use of it will turn into a threat to their very survival. The adoption of e-commerce in small enterprises has reached to global presence and is offering stiff competition to their big brothers. It is noticed that web-based big companies eventually have forced numerous small companies to go online for their business operations.

The scope for adoption of e-commerce is likely to be enlarged with cable, telephones and TVs making inroads in rural areas in the country. 'SankhyaVahini' a massive project commissioned by the Government of India is likely to focus on activities such as tele-agriculture and tele-medicine in rural areas. Thus, there exists good scope for e-commerce to be adopted in small enterprises in the country.

Prospective Areas

E-commerce is ideally found suitable for certain types of products and services amenable to online transactions. The products that are already being traded electronically mainly in small enterprises and are also expected to record high growth rate include computer products, books, music, gifts and flowers, clothing and food items. Similarly, the services which are likely to be quite fertile for e-commerce, are advertising and marketing services, financial services, tourism, entertainment and information services.

In India, small sector is an all embracing term. Small enterprises in India include agriculture and agro-based industries, transportation, financial services, housing, handicrafts, readymade garments, footwear, professional services, electronic and engineering, chemicals, pharmaceuticals, gems and jewelry, cosmetics, furniture, poultry, bakery, retail trade, entertainment, health care, tourism, education, social services, public utilities, etc. As mentioned earlier, whatever e-commerce has so far taken place in India is concentrated in the metropolitan cities itself. Due to dismal penetration of PCs and telephones into rural economy, the vast potential for e-commerce offered by rural areas so far remains untapped. There is no denying the fact that rural sector is the main stay of the Indian economy that supports nearly three-fourths of the country's population. Hence, there is a need for e-commerce mandarins to make inroads in rural areas of the country.

Challenges and Ethical issues in Commerce

E-commerce in spite of opportunities, hoopla and hype, also bears the connotations of challenges as well at the same time. We, therefore, enumerate the major challenges e-commerce in small enterprises is facing and also submit the remedial measures to meet these challenges.

1. Infrastructural Problems: Internet is the backbone of e-commerce. Unfortunately, Internet penetration in India is so far dismally low at 0.5 per cent of the population against 50 per cent in Singapore. Similarly, penetration of personal computer (PC) in India is as low as 3.5 per thousand of population compared to 6 per thousand in China and 500 per thousand in US. Internet is still accessible through PCs with the help of telephone lines. Given the penetration of telephone only 2.1 per cent of population, e-commerce remains far away from the common man. It is difficult for e-commerce to reach to 1,000 million population spread over 37 million households in 6, 04,374 odd villages and 5,000 towns and cities. Besides, both cost of PCs and internet access in India are quite high.

2. Absence of Cyber Laws: Another big challenge associated with e-commerce market is the near absence of cyber laws to regulate transactions on the Net. WTO is expected to enact cyber laws soon.

The India's Information Technology Bill (IT Bill) passed by the Indian Parliament on May 17, 2000 intends to tackle legislatively the growing areas in e-commerce. The Bill also intends to facilitate e-commerce by removing legal uncertainties created by the new technology. As it stand today, the Bill deals with only commercial and criminal areas of law. However, it does not take care of issues such as individual property rights, content regulation to privacy and data protection specific legislation.

3. Privacy and Security Concern: As of to-day, quite vulnerable issues related to e-commerce are privacy and security. So far, there is no protection offered either by Website or outside watchdogs against hazard created by exploitation one's privacy.

4. Payment and Tax Related Issues : Problems related to payment and taxes are yet another problems continuously hunting e-traders. The electronic payment is made through credit card or plastic money which could, however, not become popular so far in India mainly due to two reasons. First, the penetration of credit card in India is very low (2 per cent of the population). Second, the Indian customers are quite skeptical of paying by credit card with the increasing threat of fraud played by hackers. Like elsewhere, credit card could not gain growth in India mainly because of authentification and recognition problems of electronic signatures[4] .

Similarly, tax administration is yet another complex problem in this seamless worldwide e-commerce. As establishing incidence of tax in case of e-commerce transactions becomes difficult, this, thus, provides ample scope for tax evasion. How to get rid off this? Some suggest total tax holiday till 2010 for e-commerce in the country. There are others who support zero duty on e-commerce to flourish it in the country. It has already been decided in US that there will be no tax on anything sold on the Internet in digital form by October 2001. Should India not follow US, at least for the time being? We have to ponder over it.

5. Digital Illiteracy and Consumer Psyche: At present, digital illiteracy is one of the formidable problems e-commerce is facing in India. On the other hand, the continuous exodus of skilled computer engineers to other countries has denuded India of software engineers. This has posed a real threat to the Indian IT industry. Obviously, solution to this problem lies in curbing the computer brain – drain and uses the same in the country.

The Indian consumer is also characterized by his unique psyche. Usually, the Indian consumer does not go long distances for having any good of his choice when a neighbourhood store provides him whatever he wants. That is why the consumer does not browse the Net knowing the consequent hussles of connectivity and other botherations. Added to this is that building trust on the electronic media also takes long time more especially when the vendor is situated at a very far off place.

6. Virus Problem: That computer virus is also a formidable problem in the execution of e-transactions is confirmed by the recent computer virus originated in Manila. A computer virus lagged 'I love You' originated in Manila, Philippines on May 5,2000 rippling across world, infected millions of computer files causing colossal loss of US $7 billion to the governments and the businesses. The offenders causing 'virus' must be awarded deterrent punishment, otherwise similar assaults in future can cause lasting blows to the quite young e-commerce in India as well.

7. English Specific: Last but not the least, the software so far in the country is English specific. But, in order to make e-commerce reach to the small enterprises, it needs to be available in the languages (regional) of the owners of the small enterprises to enable them to adapt e-commerce processes in their operations. Sooner it is done better will be it for small enterprises to adapt e-commerce.

Ethical Concerns in E- Commerce:

E-Commerce has a history of only one decade. It has grown on global scale. The advantages of e-commerce, like reduction in cost of marketing, quick time transactions and global customer base, are fuelling the growth. With the advantages, the ethical issues have cropped up. Some of ethical issues of importance are:

• **Product liability**: It is an underdeveloped area in e-commerce space. The advertisements on the web give warranties. The word 'safe' is used in broad sense and avoiding warranty- guaranty. E-marketers use good language persuasive but not confirming the product liabilities.

• **Consumer Privacy**: Information collected about the customer like family details, medical history, financial details etc., may be used for other purposes. The third party may use the information.

• **Unfamiliarity with Technology**: The consumers may not be familiar with internet technology.

• **Tampering and blocking software**: The competition in the market place is likely to give rise to blockage if internet or software.

• **Theft of consumer finance and bank card data**: Third party may use confidential information like bank card numbers and siphon money. Internet users do not trust the sites they visit once the theft occurs.

II. Conclusion

From the above, it can be concluded that E-commerce is the lifeline of any successful business in today's complex and competitive business environment. With the globalization of trade and commerce and growing interdependence the world's economy, it has become evident that the life line of all successful corporations is due to switching over to e-commerce from conventional commerce. The power to establish business relationships, contact with customers, suppliers, dealers etc. with speed and ease, the buying and trading have reached its destination with minimum time loss and cost, by electronic means, is an asset that every corporation ought to have a line of electronic commerce. An efficient electronic trade net is imperative if one wants to stay ahead in the business world that is driven by competition.

In order to stay abreast of global hags in commerce and technology, it is therefore essential to have at every business organization new solutions that are integrated, flexible and user friendly, enabling quality, time to be utilized in the core business. And to be able to do this means choosing a modern electronic commerce on which a business can trust implicitly.

The emerging IT based e-commerce will not give you 'out of a box' solutions but a corporation will understand new development in foreign market potential and customize a solution to suit the needs of a business customer for whom efficiency, reliability, timeliness and cost considerations are the very important principals.

Increasingly business potential, timely and accurately captured and efficiently electronic business data interchange, is the key to any business success. In today's competitive world, corporations both large and small need to be able to respond quickly to emerging new opportunities and threads and the needs of mass customers' customers.

Efficient, fast and cost effective methods of business activities are essential for every business today. Unfortunately, till recent years, the conventional commercial practices fell short of their requirements in terms of speed, distance, potential, value addition and cost effectiveness. It is the e-commerce that offers and combines all of the above features.

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