# Challenges of e-commerce and solutions

Business, Industries

## Abstract

In the era of the Internet revolution, E-commerce industry is the biggest star. The explore of e-commerce had made a drastic growth in online business throughout the world. According to recent data, E-commerce spending has risen to $2. 1 trillion in the past few years and will reach $5 trillion by 2020. Such a rapid growth promises great future for the e-commerce industry signifying a strong market and increased customer demand. Despite these growth trends, many e-commerce businesses fail to take off within their first year. It is worth exploring the various challenges which the e-commerce industry faces today. Some of the challenges are gaining customers loyalty, shipping, data security problem, product return and refund issues are analysed elaborately in this paper.

Keywords: E-commerece, Challenges, Solutions.

## Introduction

E-commerce means electronic or internet commerce. It deals with buying or selling product through internet it also includes transfer of data and funds to execute these business transactions. This transactions occurs between either business to business, business to consumer, consumer to consumer or consumer to business. The process of purchasing online occurs in this way, initially.

E-commerce helps the costumer to enter a website of the vendor on the Internet, who trades products or services directly through a portal. This portal uses a digital shopping cart or digital shopping basket system and

allows payment through credit card, debit card or internet banking payments. Nowadays commercial centers are quickly transforming into e-commercial center. Right from needle to ship, everything is available on the web. With new and new players coming in, it is yet common for the current players and new contestants to think of creative systems to offer their merchandise and services. Electronic commerce is more than simply one more approach to support or improve existing businesses. Or maybe, e-commerce has brought revolutionary changes in the marketplace. It is a problematic invention that is drastically changing the conventional method of doing business.

E-commerce is paving way for huge business development. Expanding web clients have further added to its development. E-commerce has made online travel industry grow through numerous methods and included another business boulevard through online retail industry. Beyond this growth rate of e-commerce, there are many issues and challenges. Some of them are gaining customers loyalty, shipping, data security problem, product return and refund issues and so on. Brief analysis of challenges and solutions faced in e-commerce are presented as follow.

## LITERATURE REVIEW

The review deals with the evolution and definition of e-business, processes of e-business adoption, benefits, barriers and challenges to e-business adoption. E-Business probably began with electronic data interchange in the 1960s (Zwass, 1996). However, (Melao, 2008) suggests that it was only in the 1990s, primarily via the Internet, that e-Business has emerged as a core

feature of many organizations. In his opinion, the hope was that e-Business would revolutionize the ways in which organizations interact with customers, employees, suppliers and partners. The term " e-Business" has a very broad application and means different things to different people. Furthermore, its relation with e-commerce is at the source of many disagreements. (Melao, 2008).

The article published by Rahmath Safeena, Hema Date and Abdullah Kammani in January 2001, states that, the various areas where the banks are preparing to use e-business approach include familiar and relatively mature electronically based products in developing markets, such as internet banking, mobile banking, credit cards, ATMs, and direct deposit. This means that most of the banks have recognized the necessity to change their business process to conform the changing business trends in order to keep up with competition. Windrum and Berranger (2002) suggest that the commercial benefits of e-business lie in five areas. Firstly, firms are able to expand their geographical reach. Secondly, important cost benefits lie in improved efficiency in procurement, production and logistics processes. Thirdly, there is enormous scope for gaining through improved customer communications and management. Fourthly, the Internet reduces barriers to entry for new market entrants and provides an opportunity for small firms to reorient their supply chain relationships to forge new strategic partnerships. Finally, e-business technology facilitates the development of new types of products and new business models for generating revenues in different ways.

According to Windrum and Berranger (2002 ) it is hypothesized that many of the factors affecting the successful adoption of new technologies such as e-business are generic in nature and that the successful adoption of internet technologies in part depends on how these are used in conjunction with the other technologies and management practices that form a ' technology' cluster. Wang, Lin and Tang in 2003 claims that in the 1990s e-banking was under-utilised as business organisations used it only to market their products and services. Thornton and White (2001), examined customer orientations and usage of financial distribution channels in the Australian financial industry, found that more recently most financial institutions, faced with competitive pressure after the introduction of deregulation in 1983, have rethought their strategies to take full advantage of IT. Rafiu (2007) opines that the challenge to expand and maintain banking market share has influenced many banks to invest more in making better use of the Internet.

The emergence of e-banking had made many banks rethink their IT strategies in competitive markets.

This findings suggest that the banks that fail to respond to the emergence of e-banking in the market are likely to lose customers and that the cost of offering e-banking services is less than the cost of keeping branch banking. Karjaluoto in 2002 indicated that banks have the choice to offer their banking services through various electronic distribution channels technologies such as Internet technology, video banking technology, telephone banking technology, and WAP technology. They also indicated that Internet technology is the main electronic distribution channel in the banking

industry. In other words, e-banking as an online 10 banking that involves the provision of banking services such as accessing accounts, transferring funds between accounts, and offering an online financial service. Ayo (2006) investigated the prospects of e-commerce based on ability, motivation and opportunities (AMO) model and observed that virtually all companies have online presence.

The paper reported the motivation and opportunities for e-commerce as low based on lack of e-Payment infrastructure and access to information and communication technology (ICT) facilities. Chiemeke (2006) conducted an empirical investigation on adoption of e-banking in Nigeria. The study identified the major inhibiting factors to Internet banking adoption in Nigeria such as, insecurity, inadequate operational facilities including telecommunications facilities and electricity supply, and made recommendations on how Nigeria banks can narrow the digital divide.

Also, the report revealed that Internet banking is being offered at the basic level of interactivity with most of the banks having mainly information sites and providing little Internet transactional services. It is to note that there are some barriers to e-business adoption. Common barriers include: unsuitability for the type of business; enabling factors (availability of ICT skills, qualified personnel, network infrastructure); cost factors (ICT equipment and networks, software and re-organization); security and trust factors (security and reliability of e-commerce systems, uncertainty of payment methods, legal frameworks and Intellectual Property Right); and challenges in areas of management skills, technological capabilities, productivity and

competitiveness. Lack of reliable trust and redress systems and cross-country legal and regulatory differences also impede ebusiness adoption. The barriers to e-Business adoption work differently according to organizational type and culture.

Areas of training and people development need to be addressed. (Aranda-Mena and Stewart, 2005). Many writers of e-Business and e-commerce extol the enormous potential and opportunities provided for consumers and businesses globally. However there are some drawbacks and the benefits to be derived tend to be overstated. Many managers and investors are facing strong pressure to answer the question of whether and how ebusiness investments create business value, because it is not clear to them how this 11 value is created, and what are the factors that shape that value, also which of them are most important (Alawneh A. , and Hattab E 2009). While many commentators hold the view that e-commerce has many advantages for developing countries, the African continent has a number of major challenges to overcome before it can more fully exploit the benefits of e-commerce. A number of constraints, specific to doing e-Business in Africa, are apparent (Akoh, 2001).

These include but not limited to the following: Low level of economic development and small per-capita incomes; limited skills base with which to build e-commerce services; the number of Internet users needed to build a critical mass of online consumers and; lack of familiarity with even traditional forms of electronic commerce such as telephone sales and credit card use. Perhaps one of the greatest constraints to the adoption of e-Business as a

means to generate efficiencies is a cultural reluctance to interface with buyers and suppliers electronically.

Such challenges remain major obstacles, limiting the potential benefits of e-Business (Akoh, 2001). Other challenges are the cost of implementation, security concerns, perceived customer readiness, lack of knowledge of IT and eBusiness, the relatively high costs associated with investments in ICTs, the lack of technical and managerial skills and reluctance on the part of companies to network with other enterprises and lack of executive support and concerns regarding the reliability of technology (Department of Enterprise, Trade and Employment, 2004). Interaction with people creates a good relationship.

## Challenges in e-commerce

Although Web based e-commerce business has faced drastic growth and numerous advantages but it has also postured threats on account of its being what is constantly called as faceless and borderless. A few cases of moral issues have risen as a consequence of electronic business.

## Gaining Customer Loyalty

Usually in E-commerce industry the cost of switching is pretty insignificant. A lot of E-commerce websites have lost their customers because their rivals have a better quality of customer service, or better discounts. Knowing that most of the clients stop doing business with a company because of poor customer service, you need to ensure customer service is always a priority for your online business and part of your retention strategy. Customers

demand consistent and seamless experiences across all channels, and players that refuses to deliver fail to retain customers.

Solution: Customer service experience solutions make sure every customer interaction is under the radar. With effective customer nurturing technology tools and multimedia integration improves customer retention scores and are more likely to transform one-time purchasers to brand advocates. Lack of Verification Once a customer log in to an e-commerce portal, the portal is unaware about the customer except the information he/she entered. the credibility of the customer is questionable. This heightens when the customer issues a Cash-on-Delivery (COD) purchase because the business is unsure whether the customer is genuine or not. These have resulted in huge revenue losses for many e-commerce players.

Solution: This challenge can be brought under control by sending out a textual or email message to the customer to validate his/her identity. And when a COD purchase is issued, an automated call or Interactive Voice Response (IVR) can be dialed out to the customer and ask him/her to validate the delivery address. This would not send out the wrong message to the customers that they are being doubted, and it would fulfill customers purpose as well. E-commerce site getting hacked E-commerce site owners face one of the foremost problems that you might fact is that their website is getting hacked. It's because of the computer hackers who misuse the website and loot money.

Solution: In order to protect the site from such hackers, the website owner have to check their website on a regular basis and try to fix the errors

simultaneously. They can also hire an expert software professional for this purpose if they don't have much idea about computers. Always make sure that the personal information of your customers is never compromised.

## Product Returns and Refunds

When the products are returned because the customers are not satisfied with the product, it may create heavy loss on shipment and reputation. Cost of logistics have always been an issue for e-commerce players especially for those who deliver for free.

Solution: This cost of operation can be minimized with proper returns management with seamless interaction platform with logistic partners and vendors.

## Customer Issues Going Unnoticed

Being in an industry where customers can take their business elsewhere in a blink of an eye, customer service goes a long way. E-commerce business receives a lot of inbound interaction with more than 75% being complaints or concerns. When these concerns go unnoticed, it compromises the standard of quality of your business, and tarnishes your image.

Solution: With proper ticketing solutions and easy to use interfaces, employees are able to cater to every customer ticket generated at any channel. The efficiency raises with prioritization measures assigning level of importance to each ticket, making sure high priority tickets are handled before anything else.

## Lack of Integration

Order management system, customer support system, dispatch system, order tracking system, etc are applications that can streamline the experience of the customer across the buying journey. But if these systems are disparate it could ruin customer experience.

Solution: Customer service solutions could integrate with multiple systems seamlessly, synchronizing available information across all systems and displaying it in a single interface.

## Delay in communication

Customers enjoy assistance before, during, and after they make a purchase. This is where brick and mortar businesses exceed e-commerce. Online shopping makes customer service harder as there's no instant or direct line of communication.

Solution: Have a clear FAQs page where customers can find all the answers they need. Sizing charts are very important as well, they help your customers choose pieces that fit them perfectly. Offer a proper ticketing system with 24-hour customer support.

## Conclusion

This paper outlined the challenges and solutions in an e-Commerce system. Current technology allows for secure site design. It is up to the development team to be both proactive and reactive in handling security threats, and up to the shopper to be vigilant when shopping online Success takes time, in eCommerce it usually takes double the time so you need to be very patient.

Setting up your website and maintaining it will consume a lot of your time and effort, so be prepared for that. Electronic commerce opens new doors for business; it additionally creates new avenues in the field of education. It gives the idea that there is enormous potential for giving e-commerce training.

At first, new Internet clients would be hesitant to direct any sort of business on web, referring to security reasons as their fundamental concerns. With a specific end goal to build customer appropriation of e-commerce services, the purchaser perplexity, worry and hazard should be distinguished, comprehended and mitigated. E-business gives huge benefits in various ranges however it requires watchful attention for protection of consumer rights at the same time.

Development of ecommerce would likewise depend, all things considered, on successful IT security frameworks for which vital technological and legitimate arrangements should be set up and reinforced always. E-Commerce is the eventual fate of shopping. With the introduction of 3G and 4G networks, the web economy will keep on growing vigorously. In coming 4- 5 years, India will have around 70 million net users which will be at par with many of the developed nations in the world.