



## Commerce, E-Commerce and Trade

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### Abstract:

*For fast or quick business worldwide the terms e-commerce is a best way instead of commerce. Ecommerce has a great deal of advantages over "brick and mortar" stores and mail order catalogs. Consumers can easily search through a large database of products and services. They can see actual prices, build an order over several days and email it as a "wish list" hoping that someone will pay for their selected goods. Customers can compare prices with a click of the mouse and buy the selected product at best prices. Here the author conveys the nature of commerce vs. e-commerce.*

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**Keywords:** *Commerce, E-Commerce, Trade*

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### 1. Introduction

One of the most popular activities on the Web is shopping. It has much allure in it-you can shop at your leisure, anytime, and in your pajamas. Literally anyone can have their pages built to display their specific goods and services.

History of ecommerce dates back to the invention of the very old notion of "sell and buy", electricity, cables, computers, modems, and the Internet. Ecommerce became possible in 1991 when the Internet was opened to commercial use. Since that date thousands of businesses have taken up residence at web sites.

At first, the term ecommerce meant the process of execution of commercial transactions electronically with the help of the leading technologies such as Electronic Data Interchange (EDI) and Electronic Funds Transfer (EFT) which gave an opportunity for users to exchange business information and do electronic transactions. The ability to use these technologies appeared in the late 1970s and allowed business companies and organizations to send commercial documentation electronically.

Although the Internet began to advance in popularity among the general public in 1994, it took approximately four years to develop the security protocols (for example, HTTP) and DSL which allowed rapid access and a persistent connection to the Internet. In 2000 a great number of

business companies in the United States and Western Europe represented their services in the World Wide Web. At this time the meaning of the word ecommerce was changed. People began to define the term ecommerce as the process of purchasing of available goods and services over the Internet using secure connections and electronic payment services. Although the dot-com collapse in 2000 led to unfortunate results and many of ecommerce companies disappeared, the "brick and mortar" retailers recognized the advantages of electronic commerce and began to add such capabilities to their web sites (e.g., after the online grocery store Webvan came to ruin, two supermarket chains, Albertsons and Safeway, began to use ecommerce to enable their customers to buy groceries online). By the end of 2001, the largest form of ecommerce, Business-to-Business (B2B) model, had around \$700 billion in transactions.

## **2. What is Commerce?**

Commerce is a branch of business. It is concerned with the exchange of goods and services. It includes all those activities, which directly or indirectly facilitate that exchange.

Commerce looks after the distribution aspect of the business. Whatever is produced it must be consumed, to facilitate this consumption there must be a proper distribution channel. Here comes the need for commerce which is concerned with the smooth buying and selling of goods and services.

According to James Stephenson,

"Commerce is an organized system for the exchange of goods between the members of the industrial world."

In a broader sense,

"Commerce is that part of business which is concerned with the exchange of goods and services and includes all those activities which directly or indirectly facilitate that exchange."

## **3. Importance of Commerce**

The importance of trade and commerce are mentioned in following points.

### ***3.1 Commerce tries to satisfy increasing human wants***

Human wants are never ending. They can be classified as 'Basic wants' and 'Secondary wants'. Commerce has made distribution and movement of goods possible from one part of the world to the other. Today we can buy anything produced anywhere in the world. This has in turn enabled man to satisfy his innumerable wants and thereby promoting social welfare.

### ***3.2 Commerce helps to increase our standard of living***

Standard of living refers to quality of life enjoyed by the members of a society. When man consumes more products his standard of living improves. To consume a variety of goods he must be able to secure them first. Commerce helps us to get what we want at right time, right place and at right price and thus helps in improving our standard of living.

### ***3.3 Commerce links producers and consumers***

Production is meant for ultimate consumption. Commerce makes possible to link producers and consumers through retailers and wholesalers and also through the aids to trade. Consumers get information about different goods through advertisements and salesmanship. The manufacturers are regularly informed about the likes and dislikes of the consumers through marketing research. Thus commerce creates contact between the centers of production and consumption and links them.

### ***3.4 Commerce generates employment opportunities***

The growth of commerce, industry and trade bring about the growth of agencies of trade such as banking, transport, warehousing, advertising, etc. These agencies need people to look after their functioning. Increase in production results in increasing demand, which further results in boosting employment opportunities. Thus development of commerce generates more and more employment opportunities for millions of people in a country.

### ***3.5 Commerce increases national income and wealth***

When production increases, national income also increases. In a developed country, manufacturing industries and commerce together accounts for nearly 80% of total national income. It also helps to earn foreign exchange by way of exports and duties levied on imports. Thus, commerce increases the national income and wealth of a nation.

### ***3.6 Commerce helps in expansion of aids to trade***

With the growth in trade and commerce there is growing need for expansion and modernization of aids to trade. Aids to trade such as banking, communication, advertising and publicity, transport, insurance, etc., are expanded and modernized for the smooth conduct of commerce.

### ***3.7 Commerce helps in growth of industrial development***

Commerce looks after the smooth distribution of goods and services made available by the industry. Without commerce, industry will find it difficult to keep the pace of production. It helps to increase demand for goods on one hand and on the other hand it helps industries by getting them the necessary raw materials and other services. Hence, commerce helps in attaining better division of labour and industrial progress.

### ***3.8 Commerce encourages international trade***

Through commerce we can secure a fair and equitable distribution of goods throughout the world. With the help of transport and communication development, countries can exchange their surplus commodities and earn foreign exchange, which is very useful for importing machinery and sophisticated technology. It ensures faster economic growth of the country.

### ***3.9 Commerce benefits underdeveloped countries***

Underdeveloped countries can import skilled labour and technical know-how from developed countries. While the advance countries can import raw materials from underdeveloped countries. This helps in laying down the seeds of industrialization in the underdeveloped countries.

### ***3.10 Commerce helps during emergencies***

During emergencies like floods, earthquakes and wars, commerce helps in reaching the essential requirements like foodstuff, medicines and relief measures to the affected areas.

## **4. Difference between Trade and Commerce**

- Trade refers to mere exchange of goods, i.e., mere buying and selling of goods. but commerce refers not only buying and selling of goods, but also other activities, such as transport, insurance, warehousing, banking and advertising, which helps buying and selling of goods.
- Commerce includes all kinds of business and related activities concerning economics and of course trading.
- Trade is the voluntary exchange of goods, services, or both. Trade is also called commerce. A mechanism that allows trade is called a market. The original form of trade was barter, the direct exchange of goods and services. Modern traders instead generally negotiate through a medium of exchange, such as money. Commerce comprises the trading of something of economic value such as goods, services, information or money between two or more entities. Commerce functions as the central mechanism which drives capitalism and certain other economic systems (but compare command economy, for example). Commercialization or commercialization consists of the process of transforming something into a product, service or activity which one may then use in commerce.
- Commerce is a very wide process in which commodities are traded, transported, exchanged etc.etc. Whereas trading is limited to buying and selling. Something like selling and marketing.
- Trade refers to mere exchange of goods, i.e., mere buying and selling of goods. but commerce refers not only buying and selling of goods, but also other activities, such as transport, insurance, warehousing, banking and advertising, which helps buying and selling of goods.
- Trade is a branch of commerce, whereas commerce is a branch of business.
- The scope of commerce is wider than that of trade.

## **5. E-Commerce**

Transacting or facilitating business on the Internet is called ecommerce. Ecommerce is short for "electronic commerce"

Popular examples of ecommerce revolve around buying and selling online. But the ecommerce universe contains other types of activities as well. Any form of business transaction conducted electronically is ecommerce. Here the figure indicates the process of e-commerce.

Figure 1 E-Commerce



### 5.1 Examples of Ecommerce

- **Online Shopping**

Buying and selling goods on the Internet is one of the most popular examples of ecommerce. Sellers create storefronts that are the online equivalents of retail outlets. Buyers browse and purchase products with mouse clicks. Though Amazon.com is not the pioneer of online shopping, it is arguably the most famous online shopping destination.

- **Electronic Payments**

When you are buying goods online, there needs to be a mechanism to pay online too. That is where payment processors and payment gateways come into the picture.

Electronic payments reduce the inefficiency associated with writing and mailing checks. It also does away with many of the safety issues that arise due to payment made in currency notes.

Electronic commerce, commonly known as e-commerce, is a type of industry where buying and selling of product or service is conducted over electronic systems such as the Internet and other computer networks. Electronic commerce draws on technologies such as mobile commerce, electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange (EDI), inventory management systems, and automated data collection systems. Modern electronic commerce typically uses the World Wide Web at least at one point in the transaction's life-cycle, although it may encompass a wider range of technologies such as e-mail, mobile devices social media, and telephones as well.

Electronic commerce is generally considered to be the sales aspect of e-business. It also consists of the exchange of data to facilitate the financing and payment aspects of business transactions.

E-commerce can be divided into:

- E-tailing or "virtual storefronts" on websites with online catalogs, sometimes gathered into a "virtual mall"
- The gathering and use of demographic data through Web contacts and social media
- Electronic Data Interchange (EDI), the business-to-business exchange of data

- E-mail and fax and their use as media for reaching prospective and established customers (for example, with newsletters)
- Business-to-business buying and selling
- The security of business transactions

(Retrieved from <http://en.wikipedia.org/wiki/E-commerce> 11/2/2013 at 5.03 pm.)

## 6. Types of E-Commerce

Ecommerce can be classified based on the type of participants in the transaction:

### 6.1 Business to Business (B2B)

B2B ecommerce transactions are those where both the transacting parties are businesses, e.g., manufacturers, traders, retailers and the like.

### 6.2 Business to Consumer (B2C)

When businesses sell electronically to end-consumers, it is called B2C ecommerce.

### 6.3 Consumer to Consumer (C2C)

Some of the earliest transactions in the global economic system involved barter -- a type of C2C transaction. But C2C transactions were virtually non-existent in recent times until the advent of ecommerce. Auction sites are a good example of C2C ecommerce.

## 7. Conclusion

Commerce has immense importance in all times especially today. It helps in even distribution of goods in all parts of the world. Countries that lack a proper commerce system often get difficulties in maintaining a right standard of living for their nationals. Commerce also serves as a tool to bring people closer from different countries. The transaction of money and commodities serves as a principal means of living for most of the people.

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