Chapter-9
E-Commerce Payment System

E-Commerce or Electronics Commerce sites use electronic payment where electronic payment refers to paperless monetary transactions. Electronic payment has revolutionized the business processing by reducing paper work, transaction costs, labour cost. Being user friendly and less time consuming than manual processing, helps business organization to expand its market reach / expansion.

9.1 MODES OF ELECTRONIC PAYMENTS

Some of the modes of electronic payments are following.

 Credit Card
 Debit Card
 Electronic Fund Transfer (EFT)
 Mobile Wallet

CREDIT CARD

Payment using credit card is one of most common mode of electronic payment. Credit card is small plastic card with a unique number attached with an account. It has also a magnetic strip embedded in it which is used to read credit card via card readers. When a customer purchases a product via credit card, credit card issuer bank pays on behalf of the customer and customer has a certain time period after which he/she can pay the credit card bill. It is usually credit card monthly payment cycle. Following are the actors in the credit card system.

 The card holder - Customer
 The merchant - seller of product who can accept credit card payments.
 The card issuer bank - card holder's bank

- The acquirer bank - the merchant's bank
- The card brand - for example, visa or mastercard etc

DEBIT CARD

Debit card, like credit card is a small plastic card with a unique number mapped with the bank account number. It is required to have a bank account before getting a debit card from the bank. The major difference between debit card and credit card is that in case of payment through debit card, amount gets deducted from card's bank account immediately and there should be sufficient balance in bank account for the transaction to get completed. Whereas in case of credit card there is no such compulsion. Debit cards free customer to carry cash, cheques and even merchants accepts debit card more readily.

ELECTRONIC FUND TRANSFER

It is a very popular electronic payment method to transfer money from one bank account to another bank account. Accounts can be in same bank or different bank. Fund transfer can be done using ATM (Automated Teller Machine) or using computer. Now a day, internet based EFT is getting popularity. In this case, customer uses website provided by the bank. Customer logins to the bank's website and registers another bank account. He/she then places a request to transfer certain amount to that account. Customer's bank transfers amount to other account if it is in same bank otherwise transfer request is forwarded to ACH (Automated Clearing House) to transfer amount to other account and amount is deducted from customer's account. Once amount is transferred to other account, customer is notified of the fund transfer by the bank.

Mobile Wallet

Mobile wallets are essentially digital versions of traditional wallets that someone would carry in their pocket. While there are many variations, usually they can hold digital information about credit and debit cards for making payments, store coupons and loyalty programs, specific information about personal identity and more. Many companies are jumping into the mobile payments space— on both the paying and receiving sides of the transaction—and new innovators are continuously changing the industry just like freecharge, paytm, jio money, SBI buddy etc.

Example: State Bank Buddy

Use State Bank Buddy and have the freedom to send money to Anyone, pay bills, recharge mobile/ DTH, book movie/ flight/bus tickets 24x7 on the move. Anytime Anywhere.

State Bank Buddy has the following features:
i. Load money into your wallet
ii. Transfer money with your contacts on phonebook or Facebook
iii. Recharge your mobile/DTH and pay bills
iv. Shop online and book movies, flights and hotels
v. Transfer money instantly to your bank account

9.2 THIRD-PARTY PAYMENT PROCESSOR

Many businesses have their own merchant accounts with merchant services providers. When their clients walk through the door and make a purchase, these businesses can process a payment directly through their own account and be done. However, for some businesses those are just starting out, this isn't always the most economical method of taking payments. This is where a third-party payment processor comes into play. An example of a third-party payment processor is PayU, ccAvenue, Citrus pay etc. You are able to sign up and start accepting payments the very same day.

9.3 PAYMENT GATEWAY

A payment gateway is an e-commerce service that processes credit/debit card payments for online stores. Payment gateways facilitate these transactions by transferring key information between payment portals such as web-enabled mobile devices/websites and the front end processor/bank. Payment gateways fulfill a vital role in the ecommerce transaction process, authorizing the payment between merchant and customer. Popular payment gateways include PayPal, PayU, Citrus etc.

How payment gateways work
When a customer places an order from an online store, the payment gateway performs several tasks to finalize the transaction:

- **Encryption**: The web browser encrypts the data to be sent between it and the vendor's web server. The gateway then sends the transaction data to the payment processor utilized by the vendor's acquiring bank.

- **Authorization Request**: The payment processor sends the transaction data to a card association. The credit card's issuing bank views the authorization request and "approves" or "denies."

- **Filling the Order**: The processor then forwards an authorization pertaining to the merchant and consumer to the payment gateway. Once the gateway

obtains this response, it transmits it to the website/interface to process the payment.

9.4 TRADITIONAL MARKETING

Marketing activities continue to evolve from traditional strategies to non-traditional methods that involve the Internet. Both traditional and non-traditional marketing have advantages and disadvantages. A small business can benefit from integrating both approaches to market its products. Traditional marketing activities typically involve advertising, publicity, sales, merchandising and distribution.

9.5 EXAMPLES OF TRADITIONAL ADVERTISING

NEWSPAPERS
Newspapers are one of the oldest areas in which to place advertisements. The effect must be gathered before the consumer turns the page or the usefulness of the advertisement is gone forever. Most newspapers have a readership that consists mostly of local people to your area, however, there are a few national newspapers. Consider your target market and which newspaper they are most likely to read prior to purchasing newspaper advertisements.

MAGAZINES
Magazines are more long-term versions of advertising medium, as opposed to newspapers. While the magazine is most likely published monthly, many keep their magazines for several months and read them more than once. Additionally, magazines are more typically passed off to others than newspapers, so there is a much higher chance that your advertisement will be seen. The high gloss and color content of a magazine, versus a newspaper, makes it a desirable form of advertising.

RADIO
Radio is another traditional form of advertising. Radio signals can reach a large area, and commercials span 30 to 60 seconds, which makes them an attractive advertising option. The major drawback to radio advertisements is the ability for the listener to simply turn the station or turn off the radio to avoid hearing them. With print advertising, if the person's eye is caught by the advertising, they are likely going to read them. However, if the radio is not on, the listener certainly will not hear the advertisement.

9.6 INTERNET MARKETING

Internet marketing, or online marketing, refers to advertising and marketing efforts that use the Web and email to drive direct sales via electronic commerce, in addition to sales leads from Web sites or emails. Internet marketing and online advertising efforts are typically used in conjunction with traditional types of advertising such as radio, television, newspapers and magazines.

SPECIALIZED AREAS OF INTERNET MARKETING
Internet marketing can also be broken down into more specialized areas such as Web marketing, email marketing and social media marketing:

Web marketing
Includes e-commerce Web sites, affiliate marketing Web sites, promotional or informative Web sites, online advertising on search engines, and organic search engine results via search engine optimization (SEO).

Email marketing
Involves both advertising and promotional marketing efforts via e-mail messages to current and prospective customers.

Social media marketing
Involves both advertising and marketing (including viral marketing) efforts via social networking sites like Facebook, Twitter, YouTube etc.

9.7 PROTECTION OF PRIVACY AND INTELLECTUAL PROPERTY
The Policy is a comprehensive document that lays down seven objectives which have been elaborated with actionable steps to be undertaken by the identified nodal ministry/ department towards achieving the objectives.

IPR Awareness: Outreach and Promotion
To create public awareness about the economic, social and cultural benefits of IPRs among all sections of society.

Generation of IPRs
To stimulate the generation of IPRs.

Legal and Legislative Framework
To have strong and effective IPR laws, which balance the interests of rights owners with larger public interest.

Administration and Management
To modernize and strengthen service-oriented IPR administration.

Commercialization of IPRs
Get value for IPRs through commercialization.

Enforcement and Adjudication
To strengthen the enforcement and adjudicatory mechanisms for combating IPR infringements.

Human Capital Development
To strengthen and expand human resources, institutions and capacities for teaching, training, research and skill building in IPRs.

Important Point

- Mobile wallets are essentially digital versions of traditional wallets that someone would carry in their pocket.
- Payment gateways fulfill a vital role in the e-commerce transaction process, authorizing the payment between merchant and customer.
- Merchant Software is helps merchants to communicate with potential customers and financial institutions in secure manner.
- Referral marketing, also known as word of mouth, relies on customers to spread information about products or services.
- Internet marketing, or online marketing, refers to advertising and marketing efforts that use the Web and email to drive direct sales via electronic commerce.
- Social media marketing involves both advertising and marketing (including viral marketing) efforts via social networking sites like Facebook, Twitter, YouTube etc.

Practice Questions

Objective type questions:
Q1.Modes of Electronic payment
a. Credit Card / Debit Card
b. Mobile Wallet
c. Electronic fund transfer
d. All of these

Q2.Radio comes under
a. Traditional marketing
b. Social Media Marketing
c. Internet Marketing
c. None

Q3. Facebook comes under
a. Traditional marketing
b. Social Media Marketing
c. Internet Marketing
d. None

Q4 IPR stands for
 a. Internet property right
 b.Intellectual property right
  c. Intellectual price right
 d.None

Very short answer type questions:
Q1. Define Email marketing.
Q2. Define Web marketing
Q3. What is Payment Gateway**?**
Q4. What is the use of credit card?
Q5. What is the use of authorization in payment gateway?

Short answer type questions:
Q1. What is Internet Marketing?
Q2. What is Mobile Wallet?
Q3. What is Electronic Payment System?
Q4. Give the names of two mobile wallets.
Q5. Difference between payment through mobile wallet and Debit Card.
Q6. Why social marketing is important in business?
Q7. Difference between debit and credit card payment.

Essay type questions:
Q1. Explain Social Marketing in Detail.
Q2. What are the latest ways of Marketing?
Q3.Explain the various methods of E-payment.
Q4. Differentiate between traditional and new methods of marketing.
Q5. Steps to use SBI buddy wallet in detail.

Answers key for objective questions

Q1: d
Q2: a
Q3: b
Q4: b