CSC-370
E - Commerce
(BSc CSIT, TU)

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Chapter 2 - E-Commerce Business Model

Fig. 2.1 Representation of an electronic market.
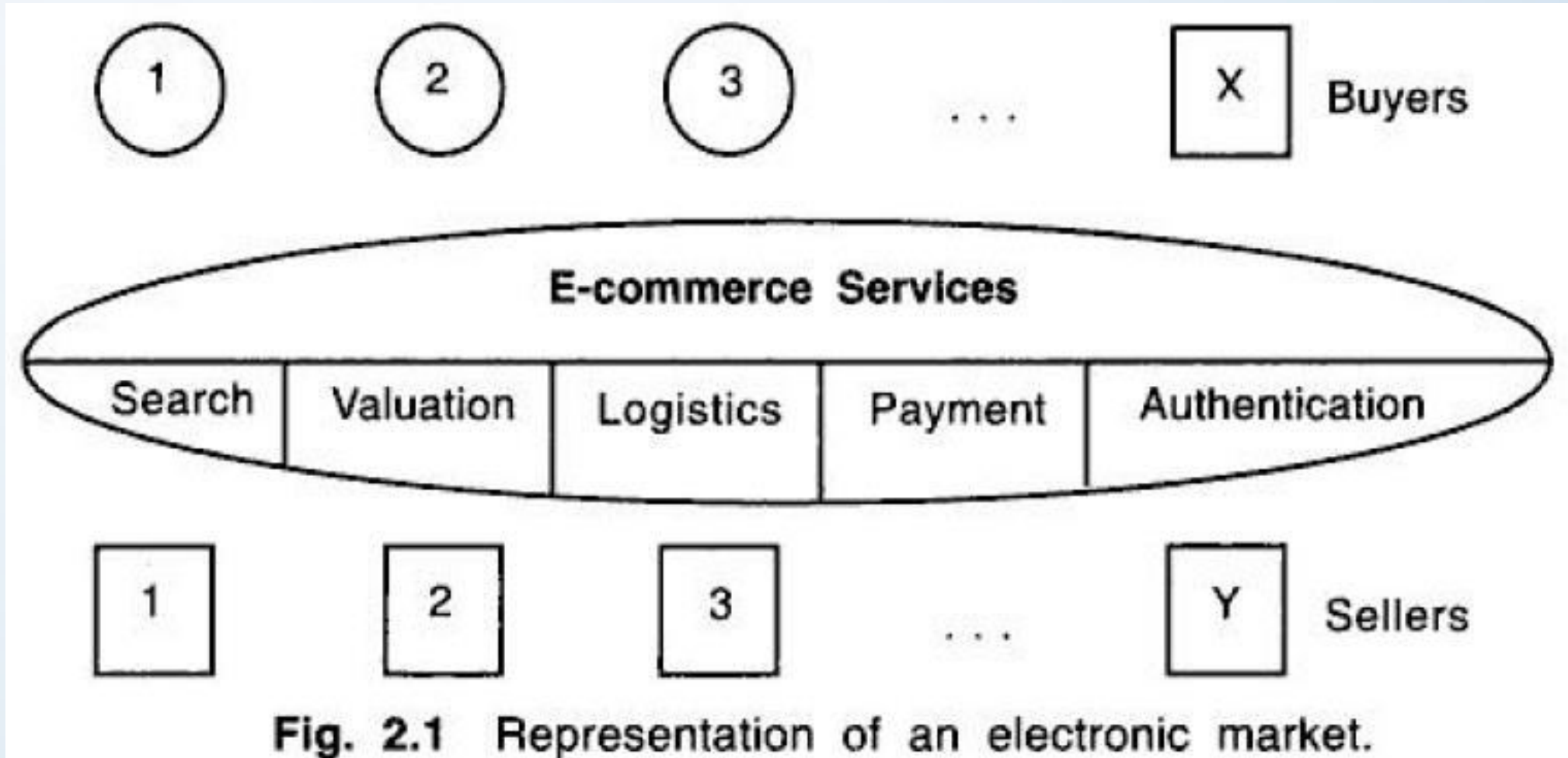
Chapter 2 - E-Commerce Business Model

- A business model is the method of doing business by which a company can sustain itself, that is, generate revenue.

- The business model spells out how a company makes money by specifying where it is positioned in the value chain

- For our understanding, e-commerce can be defined as any form of business transaction in which the parties interact electronically.

- A transaction in an electronic market represents a number of interactions between parties

- For instance, it could involve several trading steps, such as marketing, ordering, payment, and support for delivery

- An electronic market allows the participating sellers and buyers to exchange goods and services with the aid of information technology

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- E-commerce can be formally defined as technology-mediated exchanges between parties (individuals, organizations, or both) as well as the electronically-based intra- or inter-organizational activities that facilitate such exchanges

- It is global.

- It favours intangible(untouchable) things - ideas, information, and relationships.

- And it is intensely interlinked. These three attributes produce a new type of marketplace and society

- In the new economy, companies are creating new business models and reinventing old models. Reading the literature, we find business models categorized in different ways.

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- Presently, there is no single, comprehensive and cogent taxonomy of Web business models that one can point to.

- Although there are many different ways to categorize e-business models, they can be broadly classified as follows

- E-Business models based on the relationship of Transaction Parties
    1. B2C
    2. B2B
    3. C2C
    4. C2B

- E-Business models based on the relationship of Transaction Types
    1. Brokerage
    2. Aggregator
    3. Info-mediary
    4. Community
   5. Value chain
    6. Advertising

E-BM models based on relationship of Transaction Parties

1. Business - to - Customer (B2C)

2. Business to Business (B2B)

3. Consumer to Consumer (C2C)

4. Consumer to Business (C2B)

Fig. 2.4 E-business transaction model.
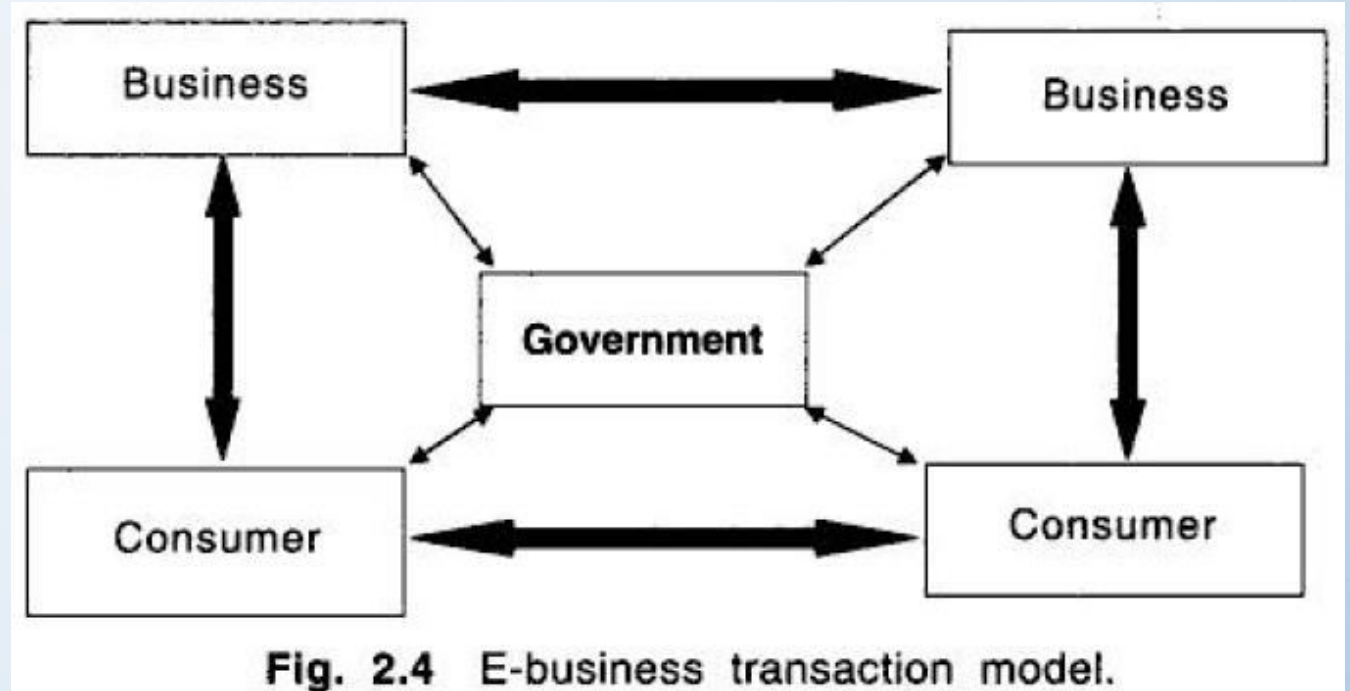
Business - to - Customer (B2C)

- involves transactions between business organizations and consumers.

- It applies to any business organization that sells its products or services to consumers over the Internet.

- These sites display product information in an online catalog and store it in a database

- The B2C model also includes services online banking, travel services, and health information and many more as shown in figure below
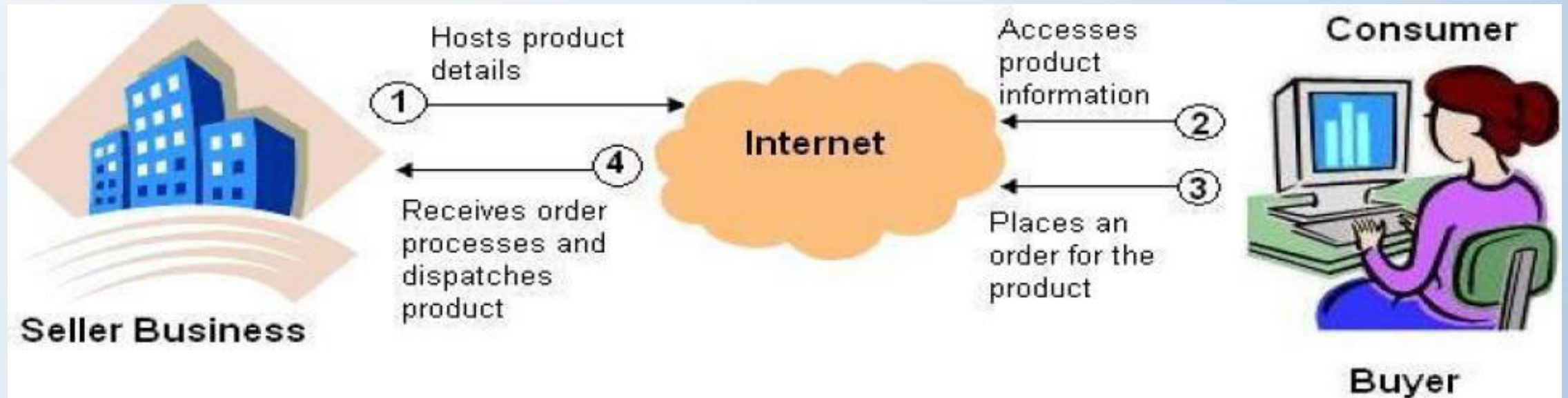
Business - to - Customer (B2C)

- Consumers are increasingly going online to shop for and purchase products, arrange financing, arrange shipment or take delivery of digital products such as software, and get service after the sale.

- B2C e-business includes retail sales, often called e-retail (or e-tail), and other online purchases such as airline tickets, entertainment venue tickets, hotel rooms, and shares of stock

- B2C e-business models include virtual malls, which are websites that host many online merchants.

- Virtual malls typically charge setup, listing, or transaction fees to online merchants, and may include transaction handling services and marketing options

- Examples of virtual malls include excite.com, networkweb.com, amazon.com, Zshops.com, and yahoo.com

Business - to - Customer (B2C)

- Many people were very excited about the use of B2C on the Internet, because this new communication medium allowed businesses and consumers to get connected in entirely new ways.

- The opportunities and the challenges posed by the B2C e-commerce are enormous.

- A large amount of investment has gone into this and many sites have either come up or are coming up daily to tap this growing market

Business - to - Customer (B2C)

- Some of the reasons why one should opt for B2C are:
  - **Inexpensive costs, big opportunities :** Once on the Internet, opportunities are immense as companies can market their products to the whole world without much additional cost.
  - **Globalization :** Even being in a small company, the Web can make you appear to be a big player which simply means that the playing field has been levelled by e- business. The Internet is accessed by: millions of people around the world, and definitely, they are all potential customers
  - **Reduced operational costs :** Selling through the Web means cutting down on paper costs, customer support costs, advertising costs, and order processing costs
  - **Customer convenience :** Searchable content, shopping carts. promotions, and interactive and user-friendly interfaces facilitate customer convenience. Thus, generating more business. Customers can also see order status, delivery status, and get their receipts online
  - **Knowledge management :** Through database systems and information management, you can find out who visited your site, and how to create, better value for customers

Processes in B2C (How Does B2C Work?)

- B2C e-commerce is more than just an online store.

- It really is about managing the entire process, but just using technology as a tool for order processing and customer support
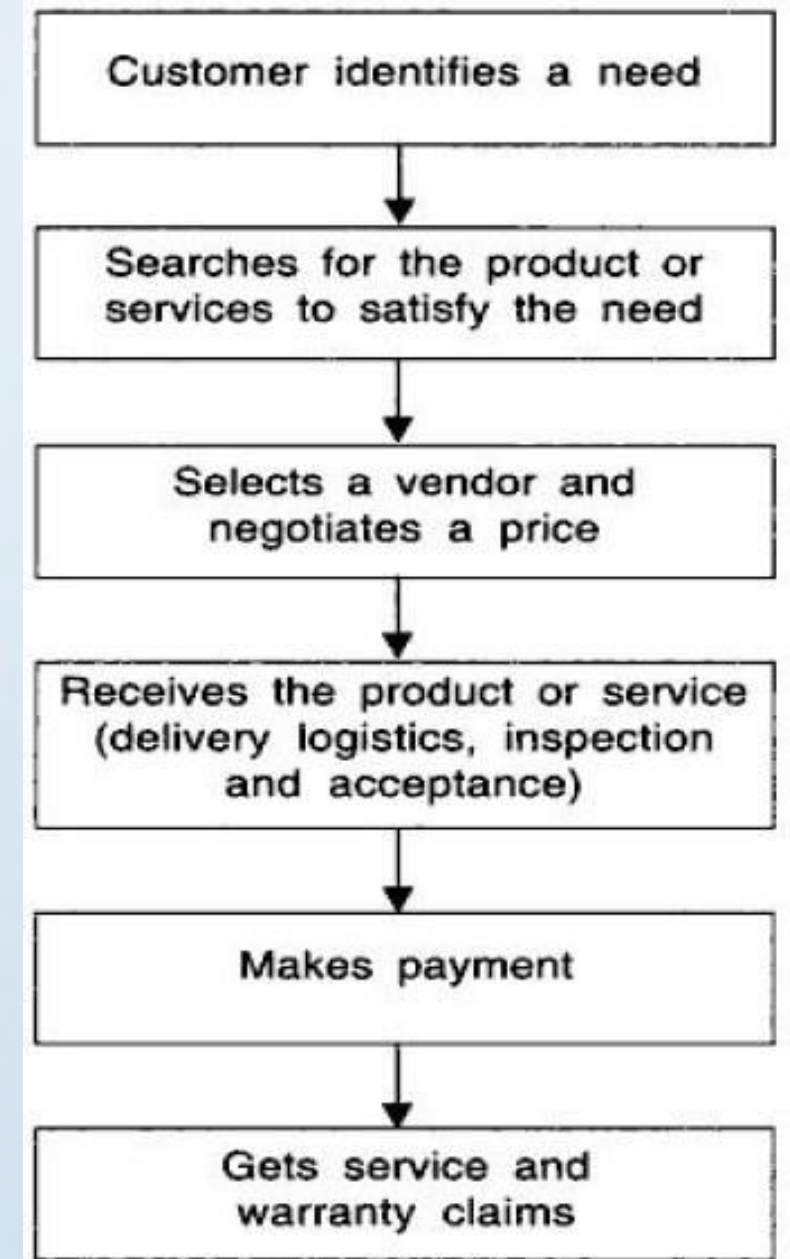

Fig. 2.5 Processes in B2C.

Customer identifies a need

Searches for the product or services to satisfy the need

Selects a vendor and negotiates a price

Receives the product or service (delivery logistics, inspection and acceptance)

Makes payment

Gets service and warranty claims

Processes in B2C (How Does B2C Work?)

1. **Visiting the virtual mall :**
   - The customer visits the mall by browsing the online catalogue - a very organized manner of displaying products and their related information such as price, description, and availability.
   - Finding the right product becomes easy by using a keyword search engine

2. **Customer registers :**
   - The customer has to register to become part of the site's shopper registry.
   - This allows the customer to use the shop's complete services.
   - The customer becomes a part of the company's growing database and can use the same for knowledge management and data mining

3. **Customer buys products :**
   - Through a shopping cart system, order details, shipping charges, taxes, additional charges and price totals are presented in an organized wah.

Processes in B2C (How Does B2C Work?)

4. Merchant processes the order :

- The merchant then processes the order that is received from the previous stage

5. Credit card is processed :

- The credit card of the customer is authenticated through a payment gateway or a bank.

- Other payment methods can be used as well, such as debit cards, prepaid cards, or bank-to-bank transfers

6. Operations management :

- When the order is passed on to the logistics people, the traditional business operations will still be used.

- Things like inventory management, total quality management, and project management should still be incorporated even though it is an e-business

Processes in B2C (How Does B2C Work?)

7. Shipment and delivery :

- The product is then shipped to the customer.

- The customer can track the order/delivery as virtual malls have a delivery tracking module on the website which allows a customer to check the status of a particular order

8. Customer receives :

- The product is received by the customer, and is verified.

- The system should then tell the firm that the order has been fulfilled

9. After-sales service :

- After the sale has been made, the firm has to make sure that it maintains a good relationship with its customers.