SARDAR PATEL COLLEGE OF ADMINSTRATION & MANAGEMENT

BCA – III

US03SBCA23 (E- commerce)

UNIT – 3

- Electronic Marketplaces
- Marketplaces Components
- Types of electronic markets(electronic storefronts, electronic malls,types of stores and malls).
- Portals and their types
- Role of intermediaries in E-markets
- E-market success factors,competitive factors,impact of e-market on organizations. (marketing,HR,manufacturing,finanace and accounting)

E-MARKETPLACES

Electronic markets play a central role in the economy, facilitating the exchange of information, goods, services, and payments. In the process, they create economic value for buyers, sellers, market intermediaries, and for society at large. Markets (electronic or otherwise) have three main functions: (1) Matching buyers and sellers; (2) Facilitating the exchange of information, goods, services, and payments associated with market transactions. (3) Providing an institutional infrastructure, such as a legal and regulatory Framework, that enables the efficient functioning of the market.

ELECTRONIC MARKETS

The major place for conducting EC transactions is the electronic market (e-market). An **e-marketplace** is a virtual marketplace in which sellers and buyers meet and conduct different types of transactions. Customers exchange these goods and services for money (or other goods and services if bartering is used). The functions of an e-market are the same as that of a physical marketplace; however, computerized systems tend to make markets much more efficient by providing more updated information to buyers and sellers. The emergence of *electronic marketplaces* (also called *e-marketplaces* or *market spaces*), especially Internet-based ones, changed several of the processes used in trading and supply chains. These changes, driven by technology, resulted in:

- Greater information richness of the transactional and relational environment.
- Lower information search costs for buyers
- Diminished information asymmetry between sellers and buyers
- Greater temporal separation between time of purchase and time of possession of physical products purchased in the e-marketplace.
- Greater temporal proximity between time of purchase and time of possession of digital products purchased in the e-marketplace.
- It is the abilities of buyers and sellers in different location.

Market space component:

A marketplace in which seller and buyer exchange goods and services for money (or for other goods and services), but do so electronically The major components and players of e-market space

1. Customers
2. Seller
3. Product and services.
4. Infrastructure
5. Front end
6. Intermediaries
7. Other business partners.
8. Support services.

TYPES OF E-MARKETPLACES: There are several types of e-marketplaces. The major B2C e-marketplaces are ***Storefronts* and *Internet malls.***

❖ ELECTRONIC STOREFRONTS

An electronic or Web **storefront** refers to a single company's Web site where products and services are sold. It is an electronic store. The storefront may belong to a manufacturer (e.g. geappliances.com and dell.com), to a retailer (e.g., walmart.com and wishlist.com.au), to individuals selling from home, or to another type of business. Note that companies that sell services (such as insurance) may refer to their storefronts as *portals.*

A storefront includes several mechanisms that are necessary for conducting the sales. The most common mechanisms are an ***electronic catalog*** *(*a *search engine* that helps the consumer find products in the catalog). An ***electronic cart***s (***for*** holding item until checkout) ***e-auction facility.*** **A *payment gateway*** (where payment arrangements can be made). A ***shipment court*** (where shipping arrangements are made; and *customer services*, including product and warranty information.)

❖ ELECTRONIC MALLS

In addition to shopping at individual storefronts, consumers can shop in electronic malls (e-malls). Similar to malls in the physical world, an
E-mall (online mall) is an online shopping location where many stores are located. For example, Hawaii.com (hawaii.com) is an e-mall that aggregates Hawaiian

products and stores. It contains a directory of product categories and the stores in each category. When a consumer indicates the category he or she is interested in, the consumer is transferred to the appropriate independent *storefront*.

This kind of a mall does not provide any shared services. It is merely a directory. Other malls do provide shared services (e.g., choicemall.com). Some malls are actually large click-and-mortar retailers; others are Virtual retailers (e.g., buy.com)

TYPES OF STORES AND MALLS

Stores and malls are of several different types:

- **General stores/malls.**

These are large marketspaces that sell all types of products. Examples are amazon.com, choicemall.com, shop4.vcomshop.com, spree.com, and the major public portals (yahoo.com, aol.com, and msn.com). All major department and discount stores also fall into this category.

- **Specialized stores/malls.**

These sell only one or a few types of products, such as books, flowers, wine, cars, or pet toys. Amazon.com started as a specialized e-bookstore but today is a generalized store. 1800flowers.com sells flowers and related gifts; fashionmall.com/beauty jungle specializes in beauty products, tips, and trends; and cattoys.com sells cat toys.newegg.com for computer electronics and endless.com for shoes.

- **Regional versus global stores.**

Some stores, such as e-grocers or sellers of heavy furniture, serve customers that live nearby. For example, parknshop.com serves the Hong.

- **Pure-pay online organizations versus click and mortar stores**

Stores may be pure online (i.e. virtual or pure _play) organizations, such as Blue Nile, Amazon.com, Buy.com, Neweggs.com, or Cattoys.com. They do not have physical stores. Others are physical stores that also sell online (e.g. Walmart with Walmart.com, 1800flowers.com and Woolworths with Woolworths.com.au). This second category is called click-and-mortar.

INFORMATION PORTALS

A **portal** is a mechanism that is used in e-marketplaces, e-stores, and other types of EC (e.g., in intrabusiness, e-learning, etc.). With the growing use of intranets

and the Internet, many organizations encounter information overload at a number of different levels. Information is scattered across numerous documents, e-mail messages, and databases at different locations and in disparate systems. Finding relevant and accurate information is often time-consuming and requires access to multiple systems.
As a consequence, organizations lose a lot of productive employee time. One solution to this problem is the use of *Web portals*.

A **portal** is an information gateway. It attempts to address information overload by enabling people to search and access relevant information. Using advanced search and indexing techniques (such as Google's desktop) in an intranet-based environment.

An **information portal or Web portal** is a single point of access through a Web browser to critical business information located inside and outside of an organization. Many information portals can be personalized for the users.

Types of Portals

Portals appear under many descriptions and shapes. One way to distinguish among them is to look at their content, which can vary from narrow to broad, and their community or audience, which also can vary. The following are the major types of portals

- **Commercial (public) portals-:**

These portals offer content for diverse communities and are the most popular portals on the Internet. Although they can be customized by the user, they are still intended for broad audiences and offer fairly routine content, some in real time (e.g., a stock ticker and news about a few preselected items). Examples of such sites are yahoo.com, aol.com, and msn.com.

- **Corporate portals-:**

Corporate portals provide organized access to rich content within relatively narrow corporate and partners' communities. They also are known as *Enterprise portals* or *enterprise information portals*.

- **Publishing portals-:**

These portals are intended for communities with specific interests. These portals involve relatively little customization of content, but they provide extensive online search features and some interactive capabilities. Examples of such sites are techweb.com and zdnet.com.

- **Personal portals-:** These target specific filtered information for individuals. They offer relatively narrow content and are typically very personalized, effectively having an audience of one. E.g Netvibes.com

- **Mobile portals -:**
  Mobile portals Are portals that are accessible from mobile devices Although most of the other portals mentioned here are PC based, increasing numbers of portals are accessible via mobile devices. One example of such a mobile portal is I-mode.

- **Voice portals-:**
  Voice portals are Web sites, usually portals, with audio inter-faces. This means that they can be accessed by a standard telephone or a cell. **voice portal** A portal accessed by phone. AOLbyPhone is an example of a service that allows users to retrieve e-mail, news, and other content from AOL via telephone. It uses both speech recognition and text-to-speech technologies. Companies such as Tellme.com (tellme.com) and BeVocal (bevocal.com) offer access to the Internet from telephones and tools to build voice portals. Voice portals are especially popular for 1–800 numbers (Enterprise 800 numbers) that provide self-service to customers with information available in Internet databases (e.g., find flight status at delta.com)

- **Knowledge portals-:**
  Knowledge portals enable access to knowledge by knowledge workers and facilitate collaboration.

THE ROLES OF INTERMEDIARIES IN E-MARKETPLACES

Intermediaries (brokers) play an important role in commerce by providing value-added activities and services to buyers and sellers. There are many types of intermediaries. The most well-known intermediaries in the physical world are wholesalers and retailers. In cyberspace, there are in additional intermediaries that provide and/or control information flow. These electronic intermediaries are known as **infomediaries**. The information flows to and from buyers and sellers via infomediaries.
Intermediaries aggregate information and sell it to others.

Brokers -: A *broker* is a company that facilitates transactions between buyers and sellers. The following are different types of brokers:

❖**Buy/sell fulfillment.**
A corporation that helps consumers place buys and sell orders (e.g., eTrade).

❖**Virtual mall.**
A company that helps consumers buy from a variety of stores (e.g. Yahoo! Stores)

❖**Metamediary**
A firm that offers customer access to a variety of stores and also provides them with transaction services, such as financial services (e.g., Amazon zShops).

❖**Bounty.**
It is an intermediary that will locate a person, place, or idea for a fee. (e.g. Bountyhunt.com for Bail enforcement agent).

❖**Search agent.**
A company that helps consumers compare different stores (e.g. Shopping.com).

❖ **Shopping facilitator.**
A company that helps consumers use online shops by providing currency conversion, language translation, payment features, and delivery solutions, and potentially a user-customized interface, (e.g. MyOrbital.com).

❖ **Matching services**
This match peoples, sellers to buyers, buyers to product and so on.

Infomediaries -:
Web sites that gather and organize large amounts of data and act as intermediaries between those who want the information and those who supply the information are called *infomediaries.*

There are two types of **infomediaries:**

❖ The first type offers consumers a place to gather information about specific products and companies before they make purchasing decisions. It is a third-party provider of unbiased information; it does not promote or try to sell specific products in preference over other products or act on behalf of any vendors (e.g., Autobytel.com and BizRate.com).

❖ The second type is not necessarily Web-based. It provides vendors with consumer information that will help the vendor develop and market products. The

infomediary collects the personal information from the buyers and markets that data to businesses. The advantage of this approach is that consumer privacy is protected and some infomediaries offer consumers a percentage of the brokerage deals.

Producers and consumers may interact directly in an e-marketplace: Producers provide information to customers, who then select from among the available products. In general, producers set prices; sometimes prices are negotiated. However, direct interactions are some-times undesirable or unfeasible. In that case, intermediation is needed.

Impacts on Manufacturing

EC is changing manufacturing systems from mass production lines to demand-driven, just-in-time manufacturing. These new production systems are integrated with finance, marketing, and other functional systems, as well as with business partners and customers. Using Web-based ERP systems (supported by software such as SAPR/3), companies can direct customer orders to designers and/or to the production floor within seconds. Production cycle time can be cut by 50 percent or more in many cases, even if production is done in a different country from where the designers and engineers are located. There are 4 steps in steps in **Manufacturing.**

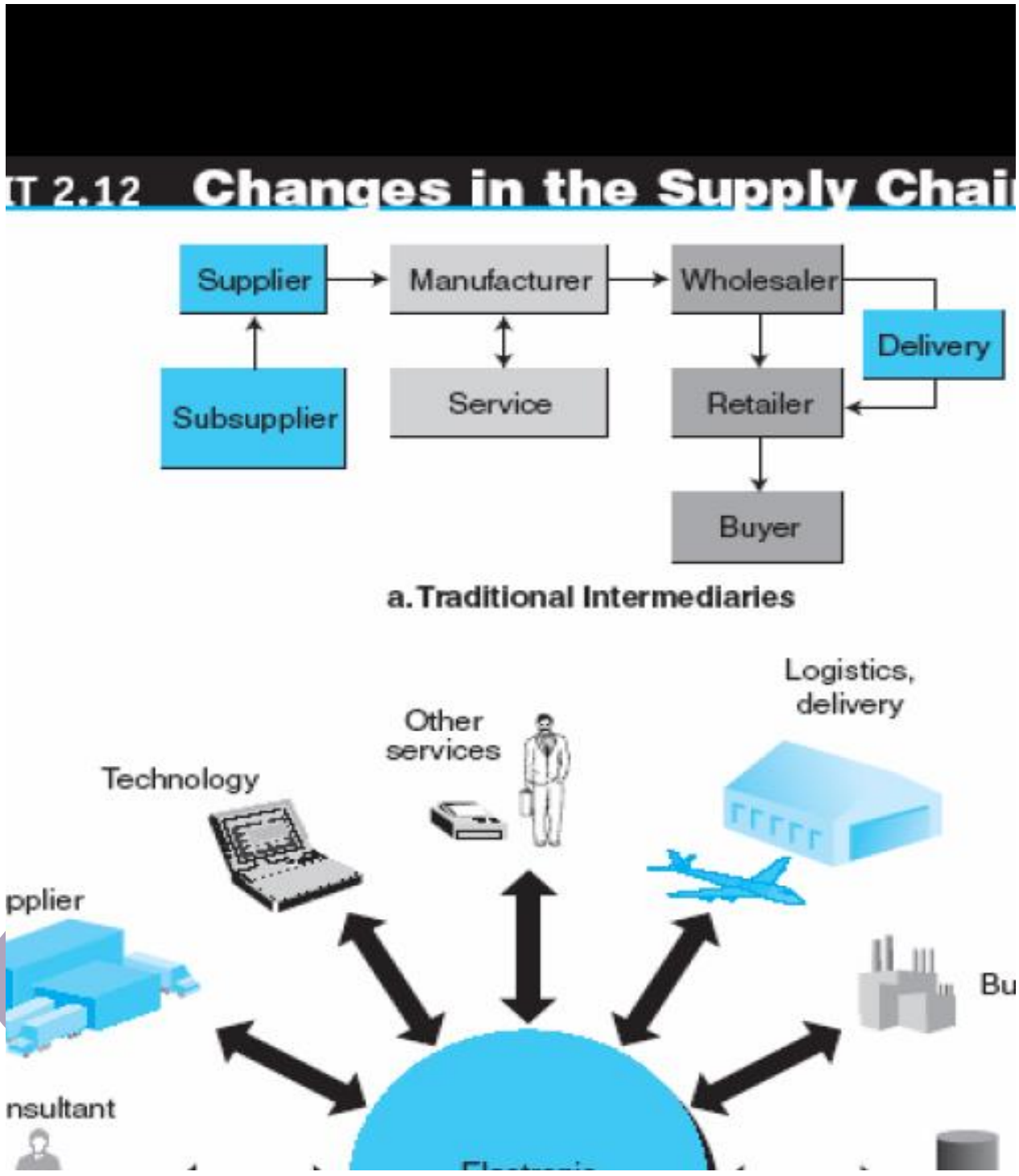
1. **Build-to-Order Manufacturing-:**

Build-to-order (pull system) is a manufacturing process that starts with an order (usually customized). Once the order is paid for, the vendor starts to fulfill it. This changes not only production planning and control but also the entire supply chain and payment cycle.

2. **Real-Time Demand-Driven Manufacturing-:** Successful manufacturing organizations must respond quickly and efficiently to demand. Strategies and techniques of the past no longer work, and it is a challenge to transform from the traditional, inventory-centric model to a more profitable and flexible demand-driven enterprise. *Demand-driven manufacturing* (DDM) provides Customers with exactly what they want, when and where they want it. Effective communication between the supply chain and the factory floor is needed to make it happen. Partnerships must be focused on reducing costs through shared quality goals, shared design responsibility, on-time deliveries, and continuous performance reviews.

3. **Virtual Manufacturing-:** An interesting organizational concept is that of *Virtual manufacturing*—the ability to run multiple manufacturing plants as though they were at one location. A single company controls the entire manufacturing process, from the supply of components to shipment, while making it completely transparent to customers and employees.

4. **Assembly Lines-:** Companies such as IBM, General Motors, General Electric, and Boeing assemble products from components that are manufactured in many different locations, even different countries. Sub assemblers gather materials and parts from their vendors and they may use one or more tiers of manufacturers. Communication, collaboration, and Coordination are critical in such multitier systems. Using electronic bidding, assemblers acquire subassemblies 15 to 20 percent cheaper than before and 80 percent faster. Furthermore, such systems are flexible and adaptable, allowing for fast changes with minimum cost. Also, costly inventories that are part of mass-production systems can be minimized.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Impacts on Finance and Accounting:

E-markets require special finance and accounting systems. Most notable of these are electronic payment systems. Traditional payment systems may be ineffective or inefficient for electronic trade. The use of new payment systems such as electronic cash is complicated because legal issues and agreements on international standards are involved. Nevertheless, electronic cash is certain to come soon, and it will change how payments are made. It could also change consumers' financial lives and shake the foundations of financial systems. Executing an electronic order triggers an action in what is called the *back office.*

Back-office transactions include buyers' credit checks, product availability checks, order confirmations, changes in accounts payable, receivables, billing, and much more. These activities must be efficient, synchronized, and fast so that the electronic trade will not be slowed down.

An example of this is online stock trading. In most cases, orders are executed in less than
1 second and the trader can find an online confirmation of the trade immediately. One of the most innovative concepts in accounting and finance is the ―virtual close‖ which would allow companies to close their accounting records, or ―books,‖ within a day.

Impact on Human Resources Management and Training:

EC is changing how people are recruited, evaluated, promoted, and developed. EC also is changing the way training and educations are offered to employees. Online distance learning is exploding, providing opportunities that never existed in the past. Companies are cutting training costs by 50 percent or more. New e-learning systems offer two-way video, on-the-fly interaction, and application sharing. Such systems provide for interactive remote instruction systems, which link sites over a high-speed intranet. At the same time, corporations are finding that e-learning may be their ticket to survival as changing environments, new technologies, and continuously changing procedures make it necessary for employees to be trained and retrained constantly, a process known as e-Human Resources.

IMPACT ON MARKETING AND SALES

Traditional *direct marketing* is done by mail order (catalogs) and telephone (telemarketing). According to the Direct Marketing Association, actual sales

generated by direct mail totaled $960 billion in 2007, and are expected to increase to $954.7 billion by 2007.

Describe the following impacts of e-marketplaces on marketing:

- **Product promotion.**

The existence of e-marketplaces has increased the promotion of products and services through direct marketing. Contact with customers has become more information rich and interactive.

- **Direct savings.**

The cost of delivering information to customers over the Internet results in substantial savings to senders of messages. Major savings are realized in delivering digitized products (such as music and software) rather than physical ones.

- **Reduced cycle time.**

The delivery time of digitized products and services can be reduced to seconds. Also, the administrative work related to physical delivery, especially across international borders, can be reduced significantly, cutting the cycle time by more than 90 percent. One example of this is TradeNet in Singapore, which reduced the administrative time of port-related transactions from days to minutes. Cycle time can be reduced through improvements along the supply chain

- **Improved customer service.**

Customer service can be greatly enhanced by enabling customers to find detailed information online. For example, FedEx and other shippers allow customers to trace the status of their packages. Also, auto-responders can answer standard e-mail questions in seconds. Finally, human experts' services can be expedited using help-desk software.

- **Brand or corporate image.**

On the Web, newcomers can establish corporate images very quickly. What Amazon.com did in just 3 years took traditional companies generations to achieve. A good corporate image facilitates trust, which is necessary for direct sales. Traditional companies such as Intel, Disney, and Wal-Mart use their Web activities to affirm their corporate identity and brand image.

❖ **Customization.**

EC enables customization of products and services. Buying in a store or ordering from a television advertisement usually limits customers to a supply of standard products. Dell is the classic example of customization success. Today, customers can configure not only computers but also cars, jewelry, shoes, clothes, gifts, and hundreds of other products and services. If done properly, accompany can achieve mass customization that provides a competitive advantage and increases the overall demand for certain products and services. Customization is changing marketing and sales activities both in B2C and in B2B.

❖ **Advertising.**

With direct marketing and customization comes one-to-one, or direct, advertising, which can be much more effective than mass advertising.
Direct advertising creates a fundamental change in the manner in which advertising is conducted, not only for online transactions but also for products and services that are ordered and shipped in traditional ways.

OR

EXHIBIT 2.11 The Changing Face of Marketing

	Old Model—Mass and Segmented Marketing	New Model—One-to-One and Customization
Relationships with customers	Customer is mostly a passive recipient.	Customer is an active coproducer. Target marketing is to individuals.
Customer needs	Articulated	Articulated and inferred
Segmentation	Mass market and target segments	Segments looking for customized solutions and segmented targets; one-to-one targets
Product and service offerings	Product line extensions and modification	Customized products, services, and marketing; personalization
New product development	Marketing and R&D drive new product development.	R&D focuses on developing the platforms that allow consumers to customize based on customer inputs.
Pricing	Fixed prices and discounting	Customer influencing pricing (e.g., Priceline.com; auctions); value-based pricing models, e-auctions, e-negotiations (i-offer)
Communication	Advertising and PR	Integrated, interactive, and customized marketing communication, education, and entertainment; use of avatars
Distribution	Traditional retailing and direct marketing	Direct (online) distribution and rise of third-party logistics services
Branding	Traditional branding and cobranding	The customer's name as the brand (e.g., My Brand or Brand 4 ME)
Basis of competitive advantage	Marketing power	Marketing finesse and "capturing" the customer as "partner" while integrating marketing, operations, R&D, and information
Communities	Discount to members in physical communities	Discounts to members of e-communities; social networking
Advertising	TV, newspapers, billboards	Innovative, viral, on the Web, wireless devices

Sources: Compiled from Wind (2001), Kioses et al. (2006), and Singh (2006).

Competitiveness Factors

EC competition is very intense because online transactions enable the following:

 Lower search costs for buyers: E-markets reduce the cost of searching for product information, frequently close to zero. This can significantly impact competition, enabling customers to find less expensive products and forcing sellers, in turn, to reduce prices and/ or improve customer service. Seller who provides information to buyers can exploit the internet to gain considerably larger market share .e.g. Wal-Mart and Walgreen developed intelligent search tools that increase online sale.

 Speedy comparisons: Not only can customers find inexpensive products online but they also can find them quickly. For example
Customer does not have to go to several bookstores to find the best for particular book. Using companies search engine such as allbookstores.com, shopping.com.

Companies that sell online at competitive prices and provide that information to search engines will gain competitive advantage.

 Lower prices: Buy.com, half.Com and other companies can offer low prices de to their low costs of operation. If volume is large enough, prices can be reduced by 40 percent or more.

 Customer service: amazon.com and dell, provide superior customer service. Such service is extremely important competitive factor.

 Barriers to entry are reduced: Setting up a website is relatively easy, fast and inexpensive and doing so reduces the need for a sales force and brick- and -mortar stores. Therefore, it is easy to start an online business. However, companies must view this as both a threat and an opportunity.

 Virtual partnerships multiply: With easy access to the web and the ability to share production and sales information easily, the ability of a firm to create a virtual partnership to exploit an EC opportunity increases dramatically.

 Market niches abound: The market niche strategy is as old as the study of competitive advantage. What has changed is that without the limit imposed by physical storefronts, the number of business opportunities is large as the web. The challenge strategists' face is to discover and reap the benefits from profitable niches before the competition does so.

• **Differentiation:** Involves providing a product or service that is not available elsewhere. Amazon. Com differentiates itself from other book retailers by providing customers with information that is not available in physical bookstore, such as communication with authors, almost real time book reviews and book recommendations.

E-commerce success Factors

The success factors of EC depend on industry, the sellers and buyers and the products sold. The ability of seller to crate economic value to customer When deciding to sell online, looking at the major factors that determine the impact of EC can assist in evaluating the chances for success.

1. Product characteristics

Selecting the right product to sell is critical success factor for e-tailing. Digitized products, such as software, documents, music and video are particularly well suited for e-markets because they can be distributed to customers electronically, resulting in instant delivery and very low distribution costs. Digitization also decreases the amount of time involved in the order taking cycle because automation can be introduced to help customers search for select and pay for a product, anyplace and anytime, without the intervention of sales or technical person.

Finally, product updates can be communicated to customers rapidly. A product's price may also be an important determinant of its success. The higher the product price, the greater the level of risk involved in the market transaction between buyers and sellers. Another product characteristic is the cost and speed of product customization. Millions of customers configure computers, cars, toys, clothes, shoes and services to their liking and if sellers fulfill such request a reasonable cost and in a short amount of time, they can assure success.

2. Industry characteristics

Electronic markets are most useful when they are able to match buyers and sellers directly. However, some industries require transaction brokers-markets affect these industries less than those that do not require brokers. Stockbrokers, insurance agents and travel agents may provide needed services, but in some cases, software may reduce the need for these brokers. This is particularly true as intelligent systems become more available to assist consumers. Other important industry characteristics include following:

Who are the major players in the industry?
How many companies in the industry are well managed?
How strong is the competition, including foreign companies?

3. Seller characteristics

Electronic market reduces search costs, allowing consumers to find sellers that offer lower prices, better service or both. As in the case of the motion picture industry, this may reduce profit margins for sellers that compete in e-markets, but it may increase the number of transactions that take place. However, if sellers are unwilling to participate in this environment, it may reduce impact of e-markets. In highly competitive industries with low barriers to entry, sellers may not have a choice but to join in, if they do not, online customers searches will lead them to an online competitor distribution channel.

4. **Consumer Characteristics**

Consumer can be classified as impulse, patient, or analytical. Electronic markets may have little impact on industries in which impulse buyers make sizeable percentage of purchase. Mobile devices are changing the situation because real time information is available now with shoppers are in physical stores. Analytical buyer can use internet to evaluate wide range of information before deciding where to buy. On the other hand, m-commerce and especially l-commerce, which provides and even customizes services based on customer's location, are banking on impulse buyers – on the customers being in the right place at right time.