Meaning and Concept of E-commerce

Commonly known as electronic marketing, e-commerce consists of buying and selling goods and services over an electronic system such as the internet. It involves the purchasing, selling, and exchanging of goods and services over computer networks, through which transactions or terms of sale are performed electronically. The term e-business is used to refer primarily to the digital enablement of transactions and processes within a firm, involving information systems under the control of the firm.

- **The Process of E-Commerce:** The process begins when a consumer uses a web browser to connect to a merchant's website. The consumer then browses the catalog of products and selects items, which are placed in an electronic shopping cart. When ready to complete the purchase, the consumer provides a bill-to and ship-to address for purchase and delivery.
- **Definition of E-commerce:** E-commerce involves sharing business information, maintaining business relationships, and conducting business transactions using computers connected to a telecommunication network.
- **Advantages of E-Commerce:** The advantages include the ability to buy/sell a variety of goods from home, conduct transactions anywhere at any time, find the lowest cost for specific goods, and allow businesses to reach worldwide clients. It also reduces order processing costs and simplifies supply chain management.
- **Disadvantages of E-Commerce:** The disadvantages include the expense of Electronic Data Interchange (EDI) for small businesses, security concerns over the internet such as viruses and hacker attacks, and the lack of guaranteed privacy. It also de-personalizes the shopping experience.

Types of E-commerce

- **B2B (Business to Business) E-commerce:** This is defined as e-commerce between companies, where one business sells goods and services to another business online. This field typically includes the selling of products not used by the final consumers, such as wholesale distributors selling to retailers. For example, a manufacturer's products sold in Walmart stores operate under a B2B model because they are selling to another business.
- **B2C (Business-to-Consumer) E-commerce:** This type of e-commerce involves transactions between companies and consumers. It includes customers gathering information, purchasing physical goods, or receiving products over an electronic network. An example of this is Dell selling a laptop directly to a customer through its website.

- **B2G (Business-to-Government) E-commerce:** Business-to-Government e-commerce is defined as commerce between companies and the public sector. It refers to the use of the internet for public procurement, licensing procedures, and other government-related operations. For example, a business may use the B2G model to pay taxes, file reports, or sell goods and services directly to government agencies.
- **C2C (Consumer-to-Consumer) E-commerce:** C2C is simply e-commerce between private individuals or consumers. In this model, one consumer sells a product directly to another. Examples include Mary buying an iPad from Tom on eBay, or an individual selling their car to a neighbor through an online advertisement.
- **G2C (Government-to-Citizen) E-commerce:** This model is a part of e-governance, with the objective of providing good and effective services to each citizen. Through a website, the government provides facilities to citizens, such as information on all government departments. It also includes details on different welfare schemes and provides various application forms to be used by the citizens.
- **G2B (Government-to-Business) E-commerce:** This is a business model that refers to the government providing services or information to business services. Governments use B2G model website to approach business organisations. Such websites support auctions, tenders and application submission functionalities.

B2B Characteristics

- 1. **Custom Pricing features:** In B2B e-commerce, pricing can be dynamic and differ for various customers, unlike B2C websites where every customer usually gets the same price. This variable pricing can be based on the volume of business a customer does with the company, the frequency of their orders, or the specific type of products they purchase.
- 2. **Custom Bulk Discount:** Bulk discounts are a very common feature of B2B business transactions and are based on the quantity or purchase amount of an order. They serve as a powerful incentive to encourage customers to place higher-value orders. This helps in building customer loyalty and increasing sales volume.
- 3. **Minimum order quantities:** Many B2B stores implement policies for minimum order values or quantities for some or all of their products, in addition to bulk discounts. These minimums are often essential for managing margins and ensuring that the B2B e-commerce company remains profitable.
- 4. **Flexible Payments:** Having adaptable payment options is a highly advisable feature for an e-commerce store, and it is particularly important for

B2B businesses. A B2B e-commerce company can offer flexible payment terms along with a selected days credit facility to its clients.

- 5. **Omni-Channel Presence:** This involves having scalable, responsive, and fully customized e-commerce platform solutions. This presence should include both a mobile app and a website to cater to different customer preferences and devices.
- 6. **More business opportunities:** A web store can significantly strengthen a company's online presence, helping potential B2B clients and retailers find the company through search engines. This is especially effective when the company makes its catalog pages public. Even with a private catalog, a company can direct its marketing efforts to draw the attention of new clients to its web store.
- 7. **Few Customers:** In the B2B e-commerce market, there are generally a fewer number of customers compared to B2C. Although the market may be small with fewer buyers and sellers, their orders are typically very large.
- 8. **Stability and Loyalty:** The relationship between buyers and sellers in B2B e-commerce is very stable and often lasts for years. Before signing a contract, both parties plan their budget, revenue, and ratio, and they rely on one another for supplies and payments. This mutual dependence ensures that both parties are loyal to one another.
- 9. **Lower cost:** In B2B e-commerce, both parties spend a lot of time planning and working on the details of their transactions. The work is often done through automation, including order entry and client information processing. This automation eradicates the chances of errors and undue expenditure, allowing everything to work out as planned without any extra expenses.
- 10. **Design easy order system:** B2B companies selling online need to put significant effort into designing a website and ordering system that buyers find easy to use. This means presenting product and service information clearly and offering online demos or consultations. It also involves using order forms with appropriate options for quantities and any special customization needed.
- 11. **Reduce Distribution costs:** B2B transactions reduce the marketing and sales costs of the sellers. For example, a seller does not need to advertise heavily to attract customers. Additionally, sellers do not need to maintain a large sales force or support staff.
- 12. **Reduced Inventory levels:** A seller does not need to maintain large inventory levels in anticipation of demand; instead, they can maintain the level of inventory based on the orders received online. The buyer also does not need to keep a large amount of inventory, as they can order it as and when

required. The seller can then supply the inventory under the just-in-time model, which reduces the cost of maintaining inventory for the buyer.

- 13. **Benefit of Negotiation:** B2B e-commerce permits negotiation between the buyer and seller relating to price, quantity, and other terms and conditions of sale. This is a significant advantage that is not possible in the B2C model. Because negotiation benefits both parties, there is a higher conversion of sales compared to the B2C model.
- 14**. Lower Rejection Rate:** The rejection rate under the B2B model is lower compared to the B2C model. The B2B model permits negotiation between the buyer and the seller. Sales representatives often meet the buyer with samples and also provide clarifications whenever required, which lowers the rate of return.

Value Chain

A value chain is a business model that describes the full range of activities needed to create a product or service.

- **Porter's Value Chain:** This framework focuses on systems and how inputs are changed into the outputs purchased by consumers. Using this viewpoint, Porter described a chain of activities common to all businesses and divided them into primary and support activities.
  - **Primary Activities:** These activities relate directly to the physical creation, sale, maintenance, and support of a product or service.
    - 1. **Inbound Logistics:** These are all the processes related to receiving, storing, and distributing inputs internally. Your supplier relationships are a key factor in creating value here.
    - 2. **Operations:** These are the transformation activities that change inputs into outputs that are sold to customers. This is where your operational systems create value.
    - 3. **Outbound Logistics:** These activities deliver your product or service to your customer. They include things like collection, storage, and distribution systems, and they may be internal or external to your organization.
    - 4. **Marketing and sales:** These are the processes you use to persuade clients to purchase from you instead of your competitors. The benefits you offer and how well you communicate them are sources of value here.

- - - 5. **Service:** These are the activities related to maintaining the value of your product or service once it has been purchased by your customer.
  - ○ **Support Activities:** These activities provide support to the primary activities.
    - ■ 1. **Procurement (Purchasing):** This is what the organization does to get the resources it needs to operate. This includes finding vendors and negotiating the best prices.
    - ■ 2. **Human resource management:** This involves how well a company recruits, hires, trains, motivates, rewards, and retains its workers. People are a significant source of value, so businesses can create an advantage with good HR practices.
    - ■ 3. **Technological development:** These activities relate to managing and processing information, as well as protecting a company's knowledge base. Minimizing information technology costs and maintaining technical excellence are sources of value creation.
    - ■ 4. **Infrastructure:** These are a company's support systems and the functions that allow it to maintain daily operations. Accounting, legal, administrative, and general management are examples of necessary infrastructure that businesses can use to their advantage.

Competitive advantage and Competitive strategy

- **Michael Porter's Generic Strategies for Competitive advantage:** A competitive advantage is an advantage over competitors gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and service that justify higher prices. Michael Porter defined two ways in which an organization can achieve a competitive advantage over its rivals: cost advantage and differentiation advantage.
  - ○ **Cost Leadership advantage:** A cost leadership advantage is when a business provides the same products and services as its competitors, but at a lesser cost. For example, achieving high levels of productivity, using bargaining power to negotiate the lowest prices for production inputs, and lean production methods.
  - ○ **Differentiation leadership advantage:** A differentiation leadership advantage is when a business provides better products and services as its competitors. For example, superior product quality (features, durability, reliability), and branding that leads to strong customer recognition and brand loyalty.

- **Cost Focus:** In a cost focus strategy, a business seeks a lower-cost advantage in just one or a small number of market segments.
- Differentiation focus strategy: In the differentiation focus strategy, a business aims to differentiate within just one or a small number of target market segments.

Supply Chain (SCM)

The Supply Chain Management (SCM) is the backbone of e-commerce, and it can increase revenues, decrease costs, and impact a company's bottom line. SCM means coordinating, scheduling, and controlling the production, inventories, and deliveries of products and services to customers. SCM represents an effort by suppliers to develop and implement supply chains that are as efficient and economical as possible, covering everything from production to product development.

- A supply chain is the connected network of individuals, organizations, resources, activities, and technologies involved in the manufacture and sale of a product or service.
- A supply chain starts with the delivery of raw material from a supplier to a manufacturer and ends with the delivery of the finished product or service to the end consumer.
- SCM oversees each touchpoint of a company's product or service, from its initial creation to the final sale. The supply chain can add value through efficiencies or lose value through increased expenses.

E-Retailing

Retail is the process of selling consumer goods or services to customers through multiple channels of distribution to earn a profit. Retailers satisfy demand identified through a supply chain. The term e-retailing is typically applied where a service provider fills the small orders of many individuals, who are end-users, rather than the large orders of a small number of wholesale, corporate, or government clientele.

- **E-Retailing Features:**
  - Saves time and effort
  - The convenience of shopping at home
  - A wide variety/range of products
  - Good discounts/lower prices
  - Detailed product information
  - Easy comparison of various models/brands.

- **Benefits/Advantages of E-Retailing for Retailers:**
  - Location utility
  - Being less expensive
  - High reach
  - Operating as a 24x7 business
  - The ability to get feedback.
- **Disadvantages of E-Retailing:**
  - Website costs
  - Infrastructure costs
  - Security and fraud risks
  - Legal issues
  - Advertising costs
  - Building customer trust.
- **E-Retailing Models:**
  - Inventory-based model
  - Marketplace-based model
- **Traditional Retailing Vs E-Retailing (Comparison):** Compared to traditional retailing, which requires a physical store presence, e-retailing can be done entirely online. E-retailing requires fewer overhead costs, while traditional retailing involves high costs such as rent and staffing. While traditional retail offers a more personal and interactive customer experience, e-retailing provides convenience and accessibility, a wider product range, and allows businesses to reach a global customer base.