Module 4
Electronic commerce fundamentals

Introduction, The scope of ecommerce, Essential e-commerce, processes, Electronic payment processes. e-Commerce applications and issues: E-commerce application trends, Business-to- Consumer e-commerce, Web store requirements, Business-to- Business e-commerce, ecommerce marketplaces, Clicks and bricks in ecommerce

Introduction

Electronic Commerce Systems

• Identify the major categories and trends of e-commerce applications.

• Identify the essential processes of an e-commerce system, and give examples of how they are implemented in e-commerce applications.

• Identify and give examples of several key factors and Web store requirements needed to succeed in e-commerce.

• Identify and explain the business value of several types of e-commerce marketplaces.

• Discuss the benefits and trade-offs of several e-commerce clicks and bricks alternatives.
What is Electronic Commerce?

• Electronic commerce encompasses the entire online process of developing, marketing, selling, delivering, servicing, and paying for products and services transacted on internet worked, global marketplaces of customers, with the support of a worldwide network of business partners.

Case #1: Success in an Online Marketplace

Evolution of eBay:

• Consumer auction market for small segment of population to sell collectibles

• 30 million users listing 12 million items daily with own laws, feedback system, enforcement, payment processing unit

Case #1: Success in an Online Marketplace

Reasons for Success:

• Voice of the Customer program

•Customer take initiative to expand eBay economy

•Industrial products marketplace

•e-Bay motors

•Wholesale business

Case #1: Success in an Online Marketplace

•Why has eBay become such a successful and diverse online marketplace? Visit the eBay website to help you answer, and check out their many trading categories, specialty sites, international sites, and other features.

Case #1: Success in an Online Marketplace

•Why do you think eBay has become the largest online/off-line seller of used cars, and the largest online seller of certain other products, like computers and photographic equipment?

Case #1: Success in an Online Marketplace

•Is eBay's move from a pure consumer-to-consumer auction marketplace to inviting large and small businesses to sell to consumers and other businesses, sometimes at fixed prices, a good long-term strategy? Why or why not?

•What are the benefits and limitations of being an eBay Power Seller or Trading Assistant?

The scope of ecommerce

e-Commerce Technologies
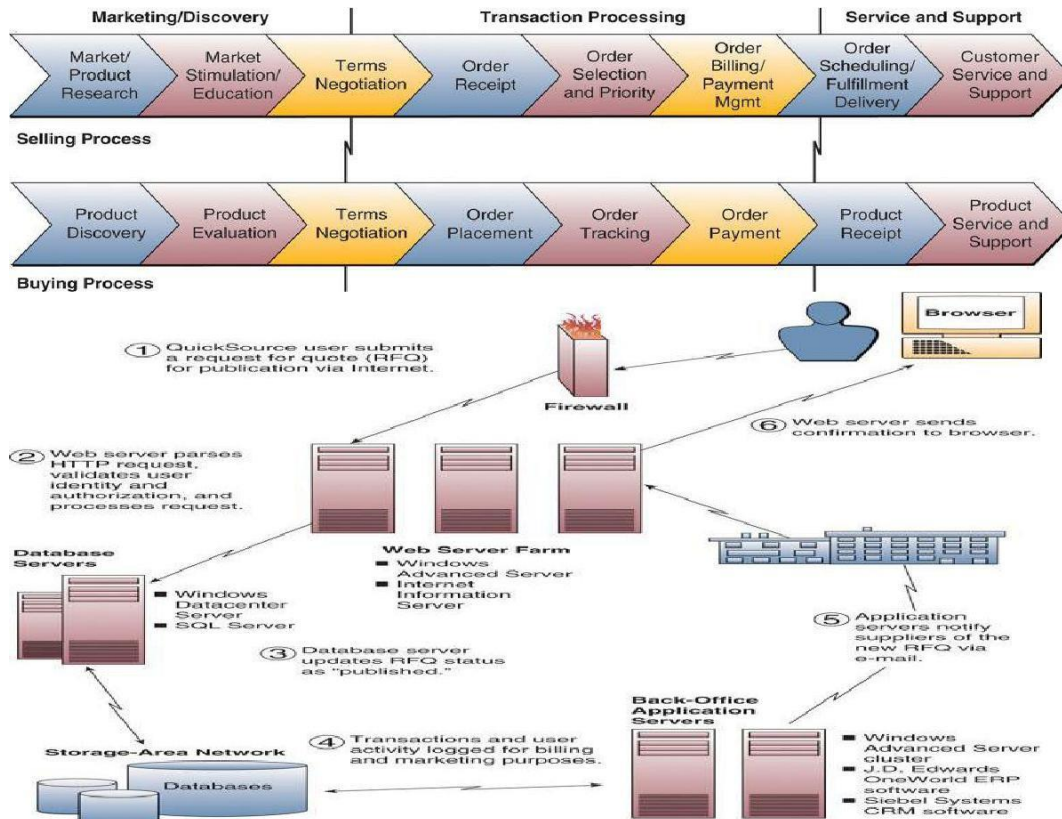
Categories of e-Commerce

•Business-to-Consumer (B2C) – businesses develop attractive electronic marketplaces to sell products and services to consumers

•Business-to-Business (B2B) – involves both electronic business marketplaces and direct market links between businesses

•Consumer-to-Consumer (C2C) – includes auction websites and electronic personal advertising

Essential e-commerce Processes

Access Control and Security

Definition:

- E-commerce processes must establish mutual trust and secure access between the parties in an e-commerce transaction by authenticating users, authorizing access, and enforcing security features

Profiling and Personalizing

Definition:

- Processes that gather data on you and your website behavior and choices, and build electronic profiles of your characteristics and preferences. These profiles are then used to recognize you as an individual user and provide you with a personalized view of the contents of the site, as well as product recommendations and personalized Web advertising

Search Management

Definition:

- Efficient and effective search processes provide a top e-commerce website capability that helps customers find the specific product or service they want to evaluate or buy Content and Catalog Management

- Content Management – software that helps e-commerce companies develop, generate, deliver, update, and archive text data and multimedia information at e-commerce websites

- Catalog Management – software that helps generate and manage catalog content

Workflow Management

Definition:

- Software that helps employees electronically collaborate to accomplish structured work tasks within knowledge-based business processes

Event Notification

Definition:

- Software that notifies customers, suppliers, employees, and other stakeholders of their status in a transaction based on events initiated by one of the parties

Collaboration and Trading

Definition:

•Processes that support the vital collaboration arrangements and trading services needed by customers, suppliers, and other stakeholders

Electronic Payment Processes

•Web Payment – credit card payment processes

•Electronic Funds Transfer (EFT) – use IT to capture and process money and credit transfers between banks and businesses and their customers

•Secure Electronic Payments – security measures including encrypting data passing between customer and merchant, encrypting data passing between customer and company authorizing the credit card transaction, and taking sensitive information off-line

Case #2: Lean Manufacturing

•Lean manufacturing is a methodology that seeks to eliminate all waste from the manufacturing process.

•The goal is to create a production environment driven by demand that holds only a small amount of inventory and products at any given time

Case #2: Lean Manufacturing

Modern Practices Employed:

•Just-in-time processes ensure that goods arrive when needed for production

•Kaizen calls on everyone to look for ways to improve quality, cycle times, safety and other aspects of an operation

•Kanban establishes a pull instead of a push system of moving goods through the factory
Case #2: Lean Manufacturing

•What are the major business advantages of lean manufacturing? Provide some specific examples.

•Does a company's size have an effect on the advantage gained from lean manufacturing and integrations of the various procurement systems?

Case #2: Lean Manufacturing

- Should all manufacturing businesses begin a process of integration toward a lean-manfacturing posture? Explain.

- What are some of the business and IT challenges faced by companies striving for lean manufacturing by integrating their procurement, customer, and supplier systems? What types of solutions might you propose to overcome these challenges?

e-Commerce Trends

Business-to-Consumer e-Commerce

e-Commerce Success Factors

- Selection and Value – attractive product selections, competitive prices, satisfaction guarantees, and customer support after the sale

- Performance and Service – fast, easy navigation, shopping, and purchasing, and prompt shipping and delivery

e-Commerce applications and issues

e-Commerce Success Factors

- Look and Feel – attractive web storefront, website shipping areas, multimedia product catalog pages, and shopping features

- Advertising and Incentives – targeted web page advertising and e-mail promotions, discounts and special offers, including advertising at affiliate sites

e-Commerce Success Factors

- Personal Attention – personal web pages, personalized product recommendations, Web advertising and e-mail notices, and interactive support for all customers

- Community Relationships – virtual communities of customers, suppliers, company representatives, and others via newsgroups, chat rooms, and links to related sites
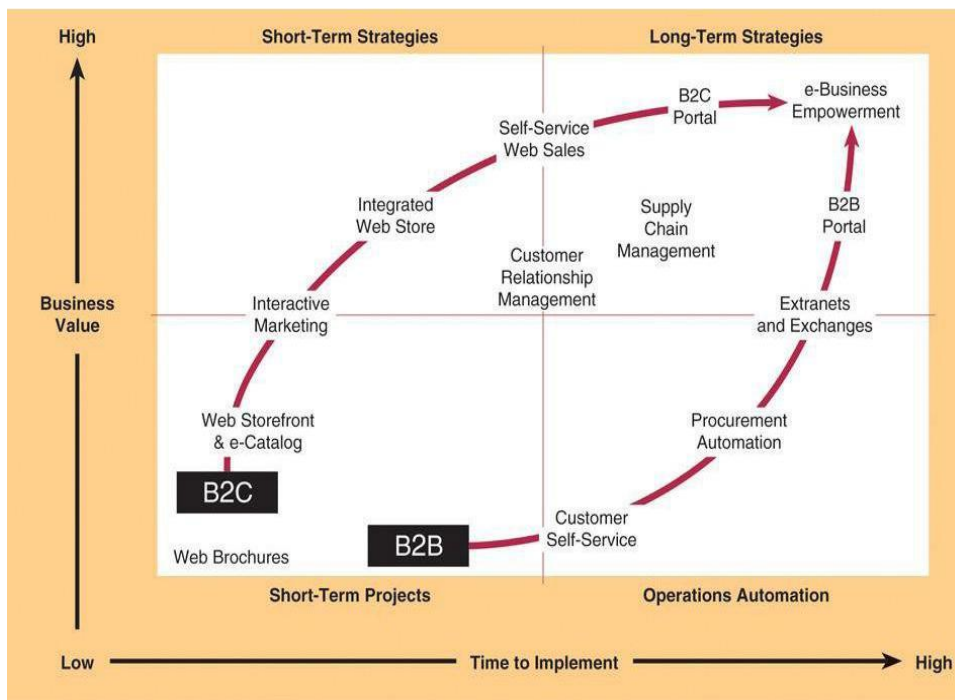
e-Commerce Success Factors

Web Store Requirements

•Security and Reliability – security of customer information and website transactions, trustworthy product information, and reliable order fulfillment

Web Store Requirements

Developing a Web Store

•Build website using simple website design tools

•Market website to attract visitors and transform them into loyal Web customers
Serving Customers

•Serve customers by creating user profiles, customer files, personal Web pages and promotions that help develop a one-to-one relationship

•Transact with customers by providing dynamically changing catalog, fast catalog search engine, and convenient shopping cart system integrated with promotions, payment, shipping, and account information

•Support customers with help menus, tutorials, FAQs and e-mail correspondence with customer service representatives

Managing a Web Store

•Manage both the business and the website

•Operate twenty-four hours a day, seven days a week

•Protect Web store transactions and customer records, and repel hacker attacks and other security threats

Business-to-Business e-Commerce
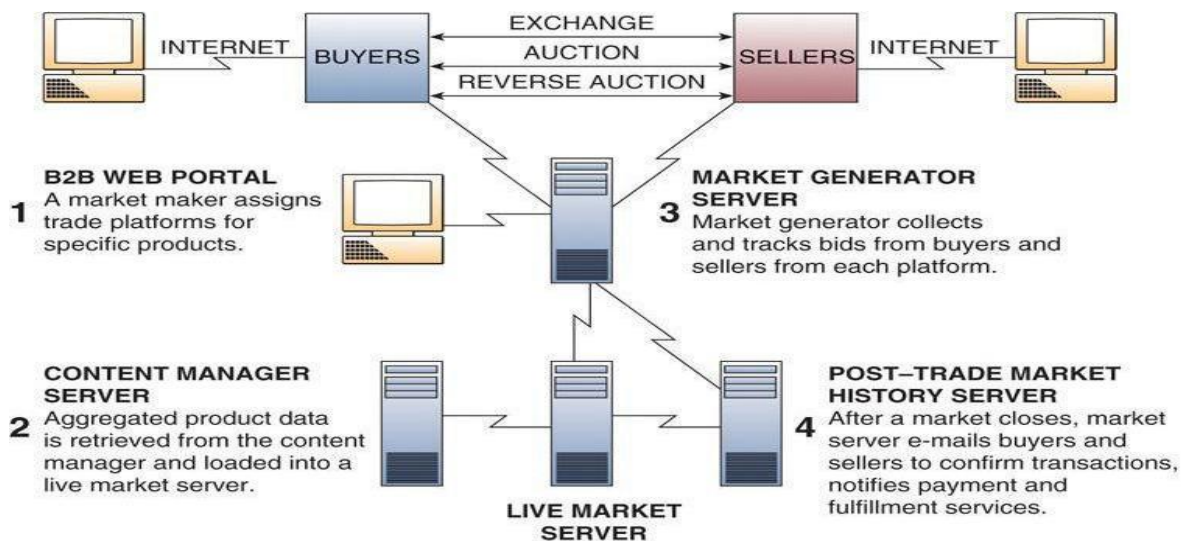
•B2B e-commerce is the wholesale and supply side of the commercial process, where businesses buy, sell, or trade with other businesses.

•All factors for building a successful retail website also apply to wholesale websites for

B2B e-commerce.

e-Commerce Marketplaces

•One to Many – sell-side marketplaces host one major supplier who dictates product catalog offerings and prices

•Many to One – buy-side marketplaces attract many suppliers that flock to these exchanges to bid on the business of a major buyer

•Some to Many – distribution marketplaces unite major suppliers who combine their product catalogs to attract a larger audience of buyers

e-Commerce Marketplaces

•Many to Some – procurement marketplaces unite major buyers who combine their purchasing catalogs to attract more suppliers and thus more competition and lower prices

•Many to Many – auction marketplaces used by many buyers and sellers that can create a variety of buyers' or sellers' auctions to dynamically optimize prices

e-Commerce Portals

Definition:

•Websites developed and hosted by third-party market-maker companies who serve as infomediaries that bring buyers and sellers together in catalog, exchange, and auction markets.
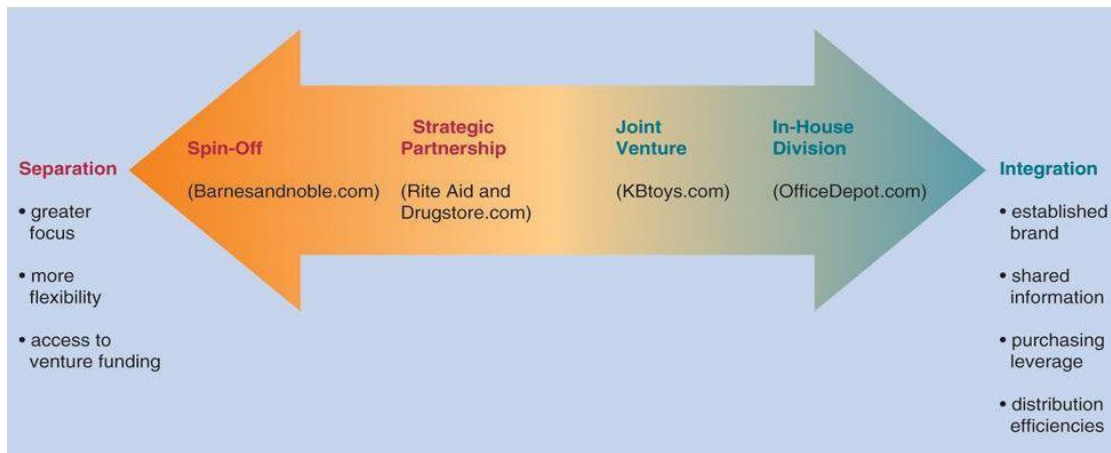
B2B e-Commerce Web Portal

Infomediaries

Definition:

•Companies that serve as intermediaries in e-business and e-commerce transactions Provide e-commerce marketplace software products and services to power business Web portals for e-commerce transactions

Clicks and Bricks in e-Commerce

Clicks and Bricks in e-Commerce

E-Commerce Channel

Definition:

•The marketing or sales channel created by a company to conduct and manage its chosen e-commerce activities

Checklist for Channel Development

•What audiences are we attempting to reach?

•What action do we want those audiences to take?

•Who owns the e-commerce channel within the organization?

•Is the e-commerce channel planned alongside other channels?

Checklist for Channel Development

•Do we have a process for generating, approving, releasing, and withdrawing content?

•Will our brands translate to the new channel or will they require modification?

•How will we market the channel itself?

Case #3: Clicks and Bricks e-Commerce

Benefits of E-Trade's Diversification:

- Allowed E-Trade to offer customers risk-free alternatives

- Online banking's overhead is low so E-Trade can offer higher savings yields and lower loan rates

Case #3: Clicks and Bricks e-Commerce

Cross Selling on the Web:

- The longer a customer has been online, the more of our products he is likely to have.

- Regular Web users are exposed to all products when they log on.

- Customers access new services through the same familiar interface
Case #3: Clicks and Bricks e-Commerce

- What lessons in business strategy can be applied to development of the e-commerce channels of other companies from the experience of E-Trade?

- What is the business value of the C.E.O. online wholesale banking portal to Wells Fargo?

- What can other companies learn from the successes and mistakes of the Wells Fargo e-commerce system?

Case #4: WWW not Business as Usual

- Microsoft is building community features for Microsoft.com including interactive Webcasts, newsgroups, and online chat forums that can better explain its software and even influence product design.

- Microsoft is also adding interactive features to help it tailor upcoming products based on input from influential customers.

Case #4: WWW not Business as Usual

- Dell has launched a redesign of its e-commerce site intended to make it easier for customers to navigate complex custom orders and for Dell to deliver fine-tuned promos anywhere on the site based on the products a customer bought or looked at in the past.

- Dell will attempt a worldwide consolidation of the back-end data center and applications that power Dell's site in 80-plus countries.

Case #4: WWW not Business as Usual

•What is the primary driver behind the Web upgrade activities of Microsoft and Dell?

•What is the business value of Microsoft's web-based, live feedback program?

•What lessons on developing successful e-commerce projects can be gained from the information in this case?

Summary

•Electronic commerce encompasses the entire online process of developing, marketing, selling, delivering, servicing, and paying for products and services.

•The basic categories of e-commerce include B2C, B2B and C2C.

Summary

•Many e-business enterprises are moving toward offering full service B2C and B2B e-commerce portals supported by integrated customer-focused processes and internetworked supply chains.

•Companies must evaluate a variety of e-commerce integration or separation alternatives and benefit trade-offs when choosing a clicks and bricks strategy and e-commerce channel.

Summary

•Businesses typically sell products and services to consumers at e-commerce websites that provide attractive Web pages, multimedia catalogs, interactive order processing, secure electronic payment systems, and online customer support. Summary

•Business-to-business applications of e-commerce involve electronic catalog, exchange, and auction marketplaces that use Internet, intranet, and extranet websites and portals to unite buyers and sellers.