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E-Commerce

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UNIT – 1

Introduction to E-Commerce

★ **E-Commerce :–** E-commerce refer to all forms of transaction related to commercial activity involving both organisations and individuals that are based upon the processing and transmission of data, text, sound and images.

Or in other words E-commerce is used to mean all business operations and transactions that are performed through the internet and other electronic technologies.

Features of Electronic-Commerce –

1- **Global-reach** – E-commerce technology permits commercial transactions to cross-cultural and national boundries of the earth surface.

2- **Universal Standard** – The technical standard for E-commerce is internet therefore the universal standard is lies upon the E-Commerce.

3- **Interactivity** – Interactivity means that E-commerce allows for two-way communication between merchant and consumer.

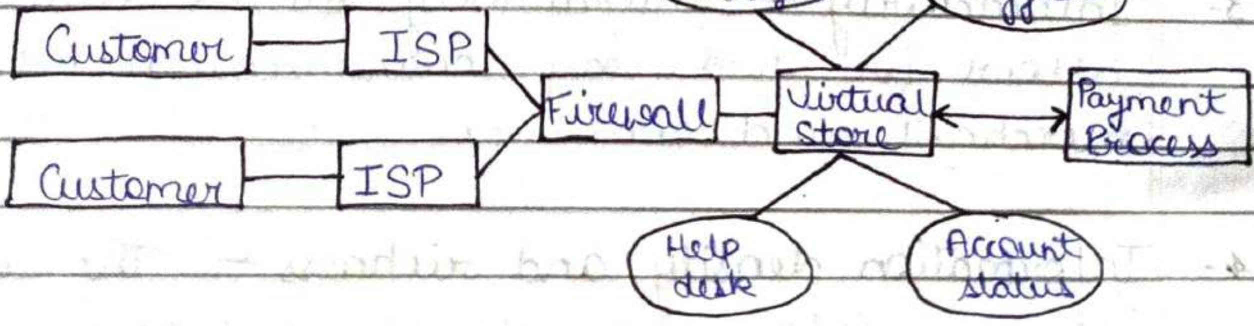
4- **Information density and richness** – The internet increases information density and also increase the quality of information available to all market participants, consumer and merchants.

5- <u>Personalisation</u> — E-Commerce technologies allows personalisation so the merchant can target their market message to specific individuals.

6- Availability — E-Commerce allow the feature of availability for consumer end and also merchant end at everywhere and all time.

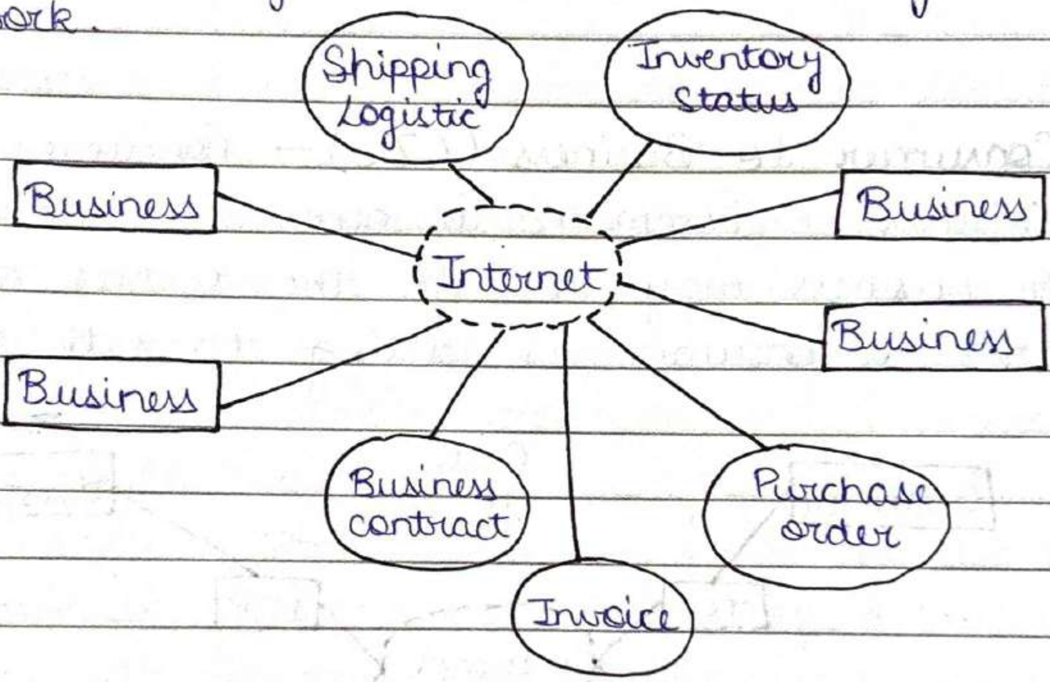
★ <u>Types of E-Commerce</u> :-
There are several types of E-Commerce models
1. Business to Consumer (B2C)
2. Business to Business (B2B)
3. Consumer to Consumer (C2C)
4. Consumer to Business (C2B)
5. Business to Employee (B2E)
6 Business to Government (B2G)

1- Business to Consumer (B2C) — (In Business to Consumer, businesses sell directly a group of products and services to consumer) In these cases E-commerce provides the traditional commerce by offering products and services through electronic channel.

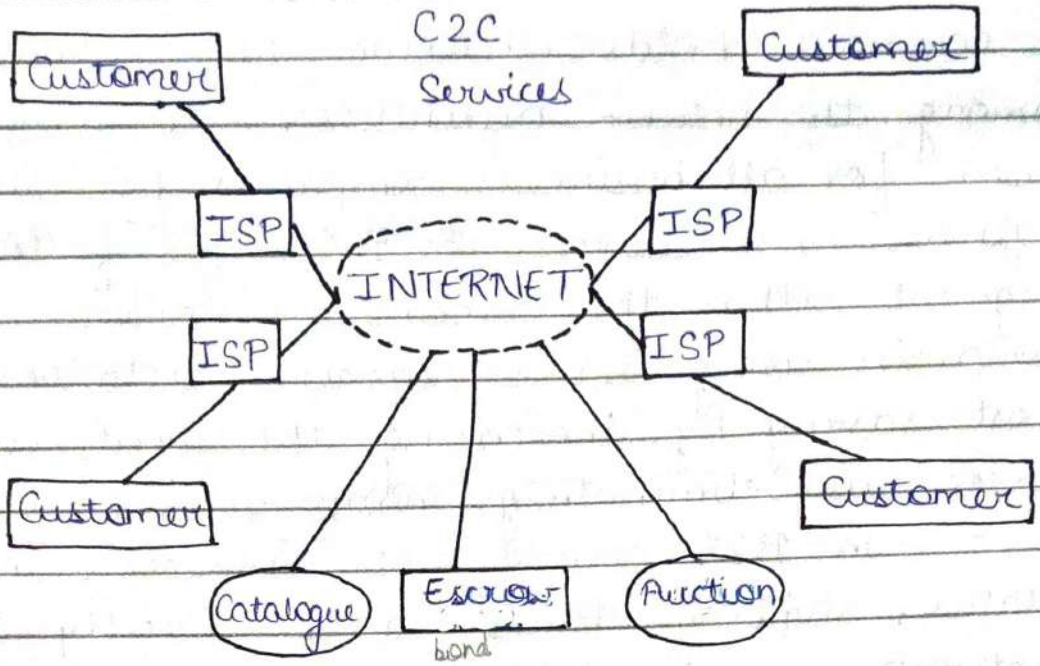


2- **Business to Business (B2B)**:- Business to business E-commerce holds electronic transactions ~~between~~ among the ~~between~~ businesses. The internet are used for all businesses companies for supplies, utilities and services. B2B is the fastest growing segment within the e-commerce environment. Companies using B2B E-commerce relationships observes cost saving by increasing the speed, reducing error and eliminating many manual activities.

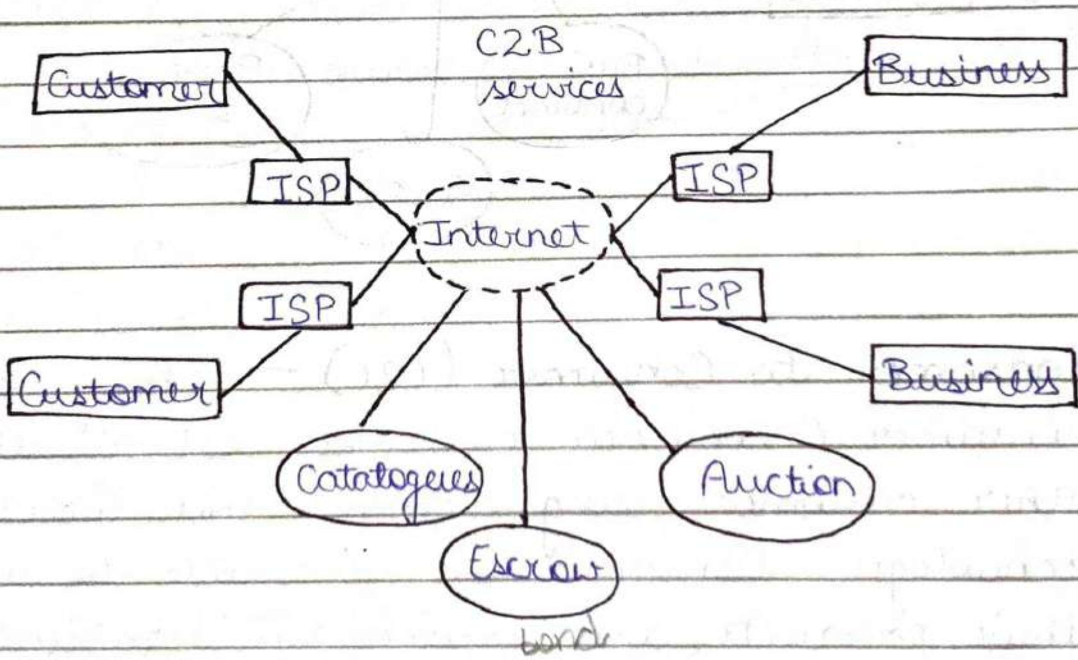
In B2B environment, invoices, inventory status, shipping status handles directly through the network.



3- **Consumer to Consumer (C2C)** — Using Consumer to consumer E-Commerce customers sell directly to other customer using internet and ~~anothe~~ web technologies. Consumer are also able to advertise their products and services in organisational and sell them to other employees.



4- Consumer to Business (C2B) – Consumer to Business E-commerce involves individuals selling to business may include the service or product that a consumer is willing to sell.



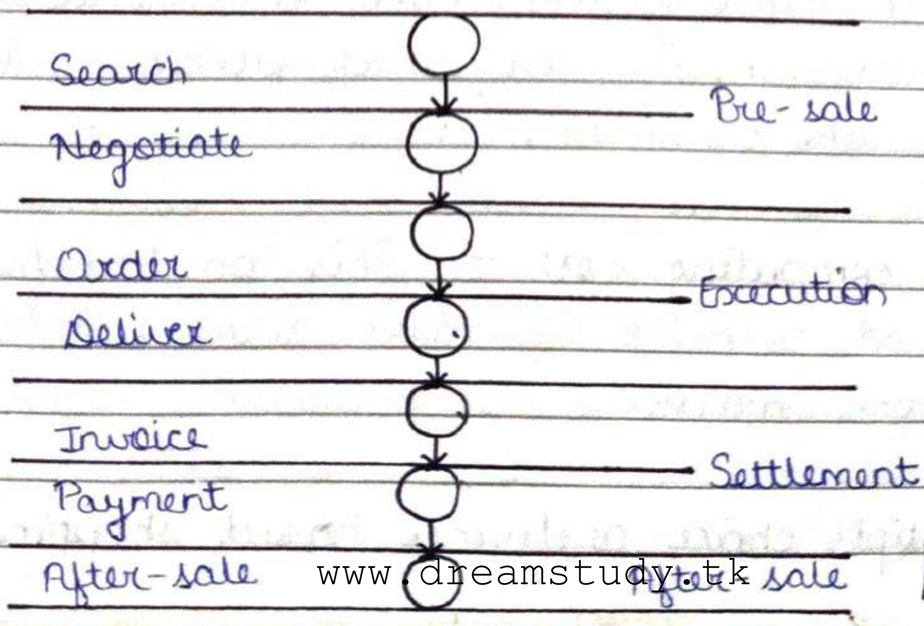
5- Business to Employee (B2E) – The transaction between the business and the employee are called Business to employee services.

6- **Business to Government (B2G)** — A transaction between the business and government over electronic network are called business to government.

★ **E-Commerce Trade Cycle** :- A trade cycle is the series of exchanges between a customer and supplier. This cycle can take place when a commercial exchange is executed.

A general trade cycle consist of the following stages —

1- **Pre-sales** — Finding a supplier and agree the terms and condition.
2- **Execution** — Having decided to do business with the buyer and request the order from the vendor.
3- **Settlement** — At an appropriate stage, the vendor ask for payment, invoice then the buyer makes the appropriate payment.
4- **After-sales** — Once the sale is completed, that is not necessary the end of the story depending on the nature of exchange there may be a requirement for after sales activity.



[Generic Trade Cycle]

★ **Scope of E-Commerce :-** Scope of E-Commerce is divided into three area –

1- Electronic market
2- Electronic data interchange (EDI)
3- Internet commerce

1- **Electronic market** – An electronic market is a market where change of economic product is coordinated through the electronic exchange of data. An electronic market is the use of information and communication technology to present a range of product that are available in the market segment so that the consumer can compare the prices and other attributes to make a purchase decision.

For example – Airlines Booking System

Electronic markets are the more efficient form of coordination for certain classes of product transactions. Electronic markets are used due to following reasons –

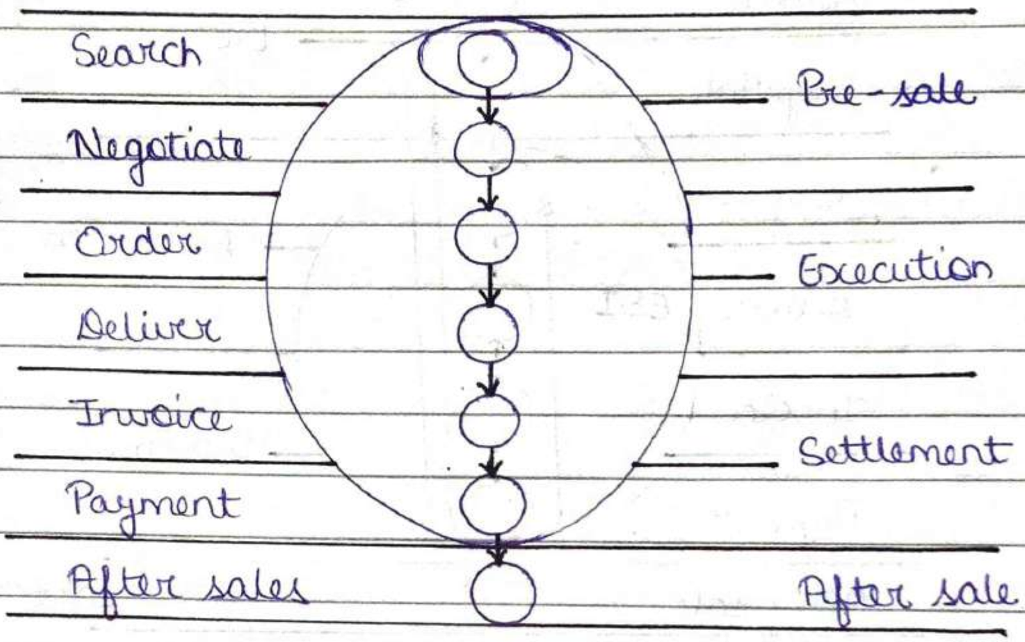
(i) **Lower coordination cost** – Electronically linked retailers are able to lower their cost by reducing intermediatory transactions and unnecessary coordination due to direct electronic transactions with the consumer.

(ii) **Low computing cost** – This can transform and expand product to make them suitable for the electronic market.

iii) **Multiple choice preference based shopping** – Traditional single source sales channels involving into linked database through electronic data interchange.

(iv) Trade off in market participation – Electronic market passes on the savings occured from improved coordination cost and sell at a discount compared to traditional markets.

(v) Minimized delivery cost – Delivery cost are minimized.



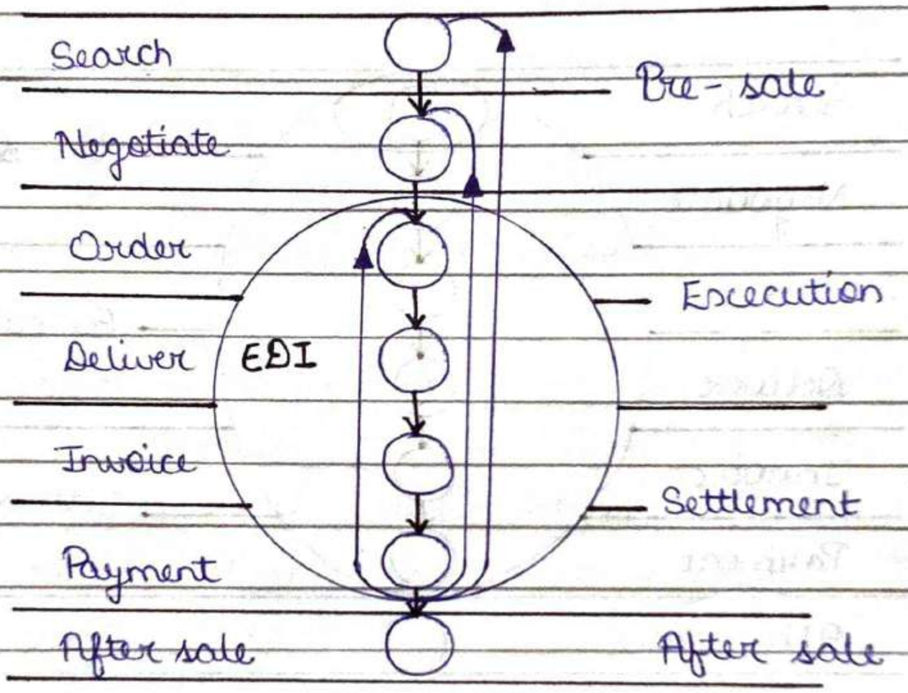
Electronic Markets and Trade Cycle

2- Electronic Data Interchange – Electronic data interchange provide a standard system for trade transactions so that they can be communicated directly from one computer system to another without the need for printed order and invoices.

Electronic data interchange is used by organisations that make a large number of regular transactions. Electronic data interchange has been implemented in many organisations in order to further increase efficiency and increase profits.

Electronic data interchange provides the following benefits -

(i) Improved inventory management
(ii) Improved accuracy
(iii) Minimize paper usage and storage
(iv) Reduce cycle times and cost



EDI and Trade Cycle

3- Internet Commerce — Internet commerce means the use of the global internet for purchase and sale of goods, services. Internet commerce brings some new technologies and new capabilities to business.

Information and communication technologies can also be used to advertise and make sales of a wide range of goods and services. This type of E-commerce is identified by the commercial use of internet.

- Advantage of E-Commerce – The advantage of e-commerce can be combined with following categories–

1. Advantage to customer – Reduce prices
2. Global market
3. Twenty-four hours
4. Quick delivery

1- Advantage to customer–

Increase market share
Low cost advertise
Global reach
Low barriers to entries

- Disadvantage of E-Commerce –

It is divided into two categories –

1- Technical limitation –

Lack of security
Low Bandwidth
Needed two application tool
Compatability

2- Non-technical limitation –

Cause and justification
Security and privacy
Lack of trust
Customer relation problem
Legal issues

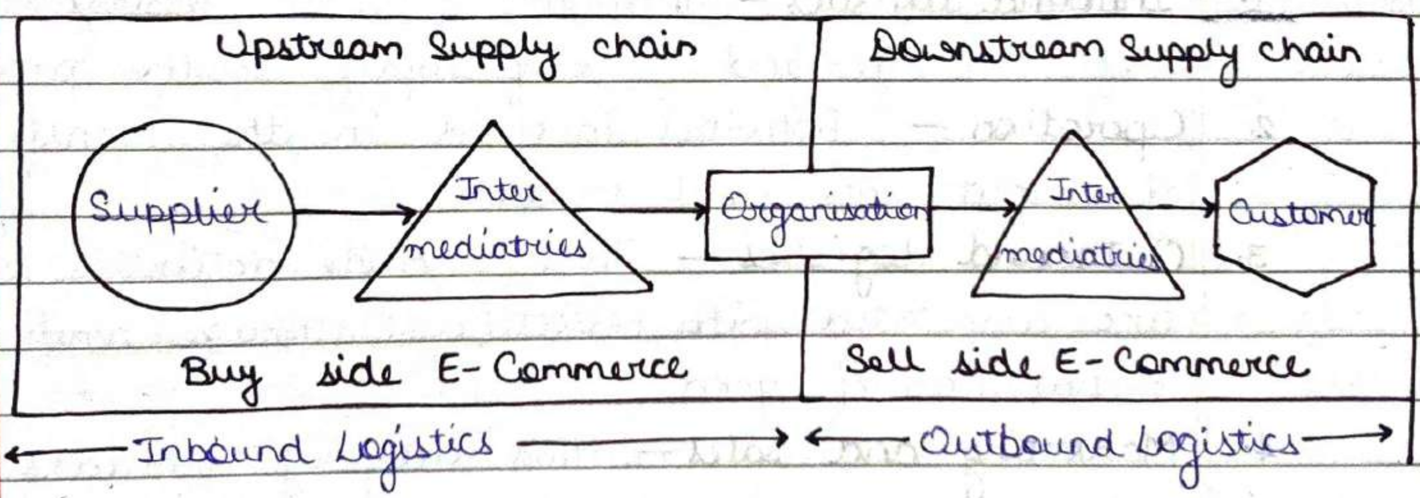
★ Difference between E-Commerce and Traditional Commerce-

	Traditional Commerce	E-Commerce
1-	In traditional commerce, the cost has to be vary for different person.	In e-commerce, the cost is very effective.
2-	It takes a lot of time to complete a transaction.	It save a lot of valuable time of for both customer and business firm.
3-	It is not easy to expand business.	It is easy to expand the business.
4-	It is possible to physically inspect the goods before the purchase.	E-Comm. does not allow physical inspection of goods while purchasing.
5-	Business is open only for a limited time.	24 X 7 service is available.
6-	The business relationship in traditional commerce is vertical or linear.	In E-commerce, the business relationship is end to end.
7-	The interaction between business and customer is face to face.	In E-Commerce, the interaction between business and customer is screen to face.
8-	Customer can directly visit the shop for purchase of product.	In E-commerce, consumer can browse the respective website and order the product.

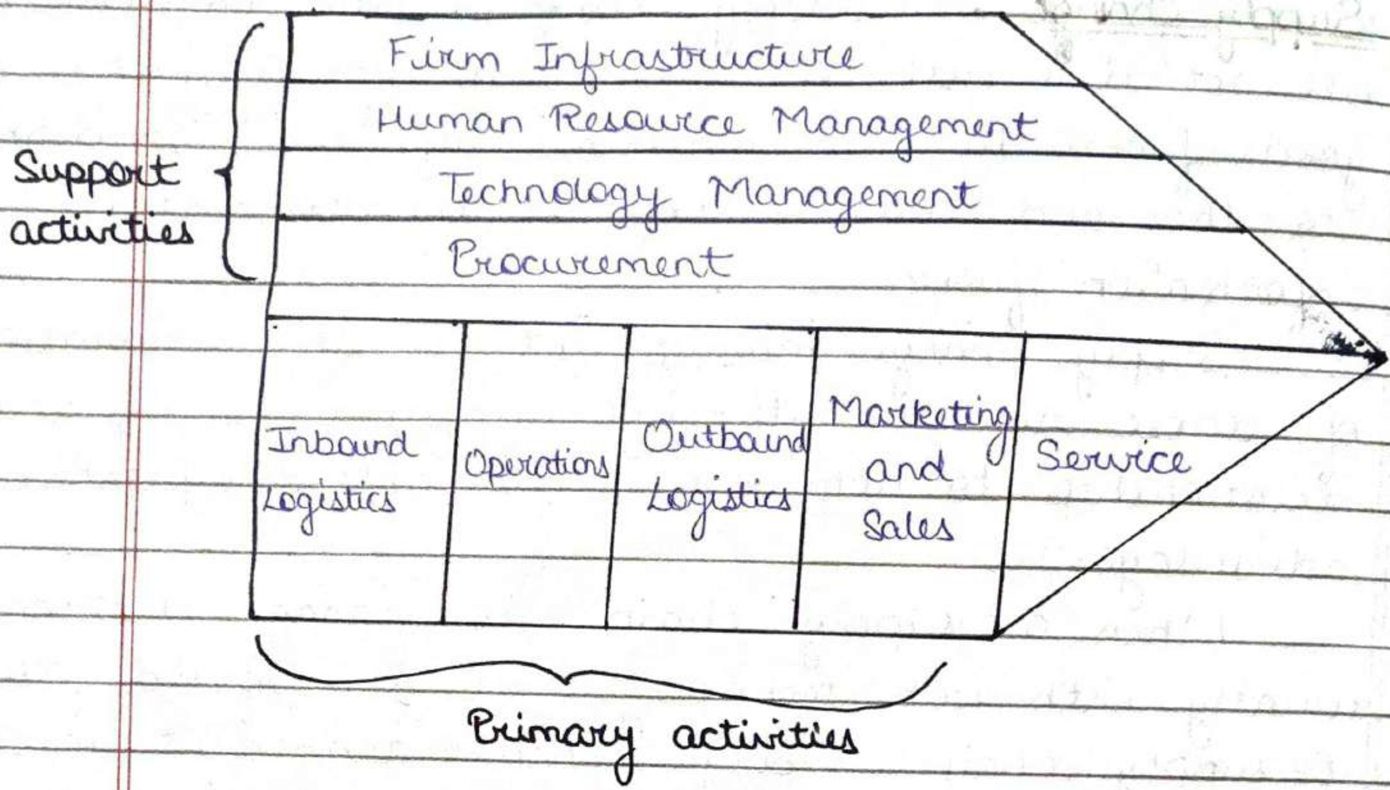
Supply chainge :- Supply chainge is the combination of all activities with the flow and transformation of goods from the raw material stage, to delivery of goods ~~from~~ through to the end user as well as the associated information flow.

Supply chain management is the integration of those activities through improve supply chain relationship to achieve a sustainable competetive advantage.

When a supply chain is manage electronically usually with web technologies it is refered to E-supply chain. Supply chain management involve the coordination of all supply activities of an organisation from its supplier and delivery of product to its customer.



★ **Porter's value chain model** :- In this model, the value chain or supply chain model is divided for describing the flow of value from producer to consumer. This model also indicates that there are many points of intermediation along the value chain model.



- **Primary activities** – Primary activities are divided into five categories –

1. **Inbound logistics** – These are activities associated with stock storage and flow of input to the product.
2. **Operation** – Activities involved in the transformation of input into final product.
3. **Outbound logistics** – These include activities which are associated with collection, storage and physical distribution of goods.
4. **Marketing and sales** – This category includes activities such as advertising, sales promotion.
5. **Service** – These are the activities of providing service to enhance or maintain the value of product like installation, repair or supply of the part of the product.

- **Support activities** – Support activities are divided into four categories–

1. **Procurement** – Procurement activities which include purchase of material and service input, equipment etc.

2. **Technology development** – Technology involved in product design and manufacturing process is to be performed for perfection and upgradation.

3. **Human resource management** – Management of human resource is recruitement, training and development of man power.

4. **Firm infrastructure** – Those activities that provide the infrastructure for the firm. They related to general management, accounting and finance, legal affairs etc.

★ **Business Strategy** :– A business strategy is a set of plan for achieving long term return on the capital invested in the business firm. There are four generic strategies for achieving a profitable business–

1. Differntiation
2. Cost
3. Scope
4. Focus

★ E-Commerce strategy input – Traditionally an IT strategy would be dependent to the business strategy for e-commerce, the IT strategy becomes a central component in business strategy.

E-commerce strategy inputs to an e-commerce business strategy are –

1. Technology
2. Business capability
3. Business environment
4. Existing business strategy

1- Technology – An e-commerce technology includes–

(i) Supply logistics and facilitate decrease in trade cycle time.
(ii) Redefine the operation of a market sector.
(iii) Provide new direct sales opportunity and B2B, B2C applications.

2- Business environment – All business operate within an external environment. They can influence that environment but their activities are also enabled or constraint by that environment. There are some environmental factors who developing a business strategy, these are –

(a) Economy – The economy in general and it affect the relevant market sector in strategy formulation

(b) State – The state influences the economy and set the regulatory framework within business operate. E-commerce is generally seen as a positive development by governments and their can be initiated to assist companies in its adoption.

(c) Labour – The labour market will determine if an organisation can get the people and skills it needs for its operation.
For e-commerce the availability of people with the technical skills can be an issue.

(d) Culture – Culture varies in different countries and an appropriate way to operate in one country would not necessarily be successful in another.

3- Business Capability – There are following business capability of e-commerce –
(a) Improved productivity
(b) Cost Saving
(c) Steam line business process – Use of internet and with automation of business process can make business more effecient

(d) Better Customer Service
(e) Opportunities for new business – Business over the internet have global customer reach. There are endless possibilities for business to expand their customer base.

4- Existing Business Strategy – Very possibly the organisation already has a business strategy and this can be part of evaluation of e-commerce strategy.
Some examples of e-commerce strategy could affect business strategy might be –

(a) A decision to close down retail outlets and serve customers online.

(b) Expansion into new geographical markets where the company did not operate.

(c) A move from selling through local agents to selling direct.

In all cases, where e-commerce is seen as a strategic system, the business strategy will be modified or re-shaped by the adoption of the e-commerce strategy making the business strategy more efficient.

★ **E-Commerce Implementation :-** The implementation of e-commerce is divided into two categories-

1- **Technical implementation** — The approach to technical implementation of an e-commerce system depends on the -

(i) Business objective
(ii) Business requirement
(iii) Technology

2- **Business implementation** — To build up an e-commerce shop the organisation needs to -

(i) Put in place the business infrastructure to support the new e-commerce facility.
(ii) Market to the new e-commerce facility is to the intended user.

END

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