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Introduction to E-Business

Chartered Accountancy
Business Level 2
Digital Business Strategy (DBS)

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BL -8 Digital Business Strategy

CA Business Level 2

Introduction to Electronic commerce

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E- Business vs E - Commerce

Electronic business, or e-Business, is the automation of business processes of all types through electronic means. This may be restricted to email or may extend to a fully featured website or an e-Marketplace. E-Business that includes a financial transaction is known as e-Commerce. E-Business has been defined by IBM as 'the transformation of key business processes through the use of internet technologies'.

E-commerce is the use of electronic techniques, including the internet, to buy and sell products and services.

E-business is the use of electronic techniques, including the internet, to transform key business processes.

E- Business vs E - Commerce

E-business differs from other aspects of IT because it uses the internet. E-business processes include:

- Online marketing
- Online selling
- Online payments
- Supply-chain and channel management
- Manufacturing and inventory control
- Financial operations
- Employee workflow procedures across an entire organization

E- Business vs E - Commerce

E-commerce is just one aspect of e-business. E-commerce has several aspects, which include:

(a) Electronic ordering of goods and services that are delivered using traditional channels such as post or couriers (indirect electronic commerce).

(b) Online ordering, payment and delivery of intangible goods and services such as software, electronic magazines, entertainment services and information services (direct electronic commerce).

Types of E – Commerce Transactions

	Delivery by: Business	Delivery by: Consumer
Business	B2B business models eg BusyTrade.com	B2C business models eg Amazon.com
Consumer	C2B business models eg Priceline.com	C2C business models eg ebay.com

Developing E- Business Strategy

We can identify four stages which organizations typically go through when introducing e-business:

• **Web presence** – The organization has a website but, in effect, this just acts as a brochure on the internet. The organisation's web pages provide information about the organisation and its products or services or might provide answers to frequently asked questions (FAQs).

• **Basic e-commerce** – The organisation makes purchases from its suppliers online and allows its customers to place orders and pay for them online. This enables the organisation to deal directly with suppliers and end-user consumers (and so could remove intermediaries from the supply chain) but there are no significant changes to the organisation's business model or its processes.

Developing E- Business Strategy

- **Integrated e-commerce** – The organization uses electronic technology to develop closer relationships with its customers and suppliers (for example, through real time processing and supply chain integration). The organisation uses the information it gathers about customers and their buying habits to target its marketing activities more precisely, and to improve customer relationship management.

- **E-business** – The organisation's operating systems are fully integrated and require little human interaction. Electronic technology is fundamental to the organization's business strategy.

Levels of E- Commerce Strategy

Level 1 – The simple introduction of new technology to connect electronically with employees, customers and suppliers (eg through an intranet, extranet or website).

Level 2 – Reorganization of the workforce, processes, systems and strategy – in order to make best use of the new technology.

Level 3 – Repositioning of the organisation to fit it into the emerging e-economy.

Developing E- Business Strategy

A strategy for e-commerce, while not necessarily constituting the organisation's overall strategy, is likely to have wide implications and to involve and affect more than one function or department within the organization. It should, therefore, be considered at the highest level of management and it should conform to the standard criteria for strategic choice: **suitability, acceptability and feasibility**.

Suitability : It is important that the e-commerce strategy supports the overall strategy.
Acceptability : Strategy should accepted by important stakeholders
Feasibility : Feasibility is a matter of resources. The fundamental resource is cash, but the availability of the skilled labor needed to establish and administer a website will be crucial to the e-commerce strategy.
Launch: It may be appropriate to launch the website to a restricted number of potential customers in order to ensure that its functionality is satisfactory.

E- Business challenge to traditional business model

- It enables product/service suppliers to interact directly with their customers
- It is global in it's operation
- It offers a new economics of information
- It supplies an almost incredible level of speed of communication
- 24-hour access.
- It promotes transparent pricing
- It provides sophisticated market segmentation opportunities.

Types of B2C E Commerce

Advertising model: The business provides a product or service for consumers but does not charge them. Instead, it obtains its revenue from advertising.
Infomediary modal: The business collects data about consumers and their purchasing habits and sells this information to other businesses. Price comparison websites are another form of this model.
Merchant Modal : Companies use the internet to sell their goods and services. Customers are able to order the item online, and also pay for it online.
Manufacturer modal : The company in this model is a manufacturer who sells its products to customers through its website rather than using a retailing intermediary.
Subscription modal: With this model, consumers (users) pay for access to a website that usually contains high added-value content.

Issues to consider when starting e-commerce business

Starting an e-commerce operation: issues to consider	
Market opportunity	The company should consider the market and its segmentation. What are the commercial opportunities that exist in this market? What is the potential size of the market?
Competitive environment	How many competitors are already operating in the market with a similar business model?
Competitive advantage	What can the company offer to customers that competitors cannot?
Market strategy	How does the company intend to enter the market and attract customers?
Organisation of operations	How will the company organise the work to deliver the service? What changes are needed to operational procedures?
Management team	Who will be responsible for managing the operation?

How internet has changed B2C e commerce

The internet and changes in B2C business	
Direct contact with the customer	The internet enables suppliers/manufacturers to interact directly with their customers, instead of using intermediaries such as retail shops, travel agents, insurance brokers, and conventional banks. Businesses can cut out the middleman (retailer or broker): insurance is just one example.
Convenience for the consumer	The consumer can make purchases at any time of the day or week, from any location that provides internet access. This affects consumer buying habits.
Small companies can succeed	Although the internet is global in its operation, its benefits are not confined to large (or global) organisations. Small companies can move instantly into a global marketplace.

How internet has changed B2C e commerce

The internet and changes in B2C business	
Virtual businesses	A virtual company is one that does not have a physical presence anywhere. It may consist simply of a number of individuals linked to each other through the network. In some cases, a virtual company can be one individual working from home, using a network of subcontractors to provide services to customers.
New economics of information	With the internet, much information is free of charge to the user. Those with internet access can view many of the world's major newspapers and periodicals without charge. There may be a tendency for consumers to expect to obtain information (and some computer games) for free, without having a pay.
Speed of transactions	The internet creates a capacity to complete purchasing transactions within seconds.

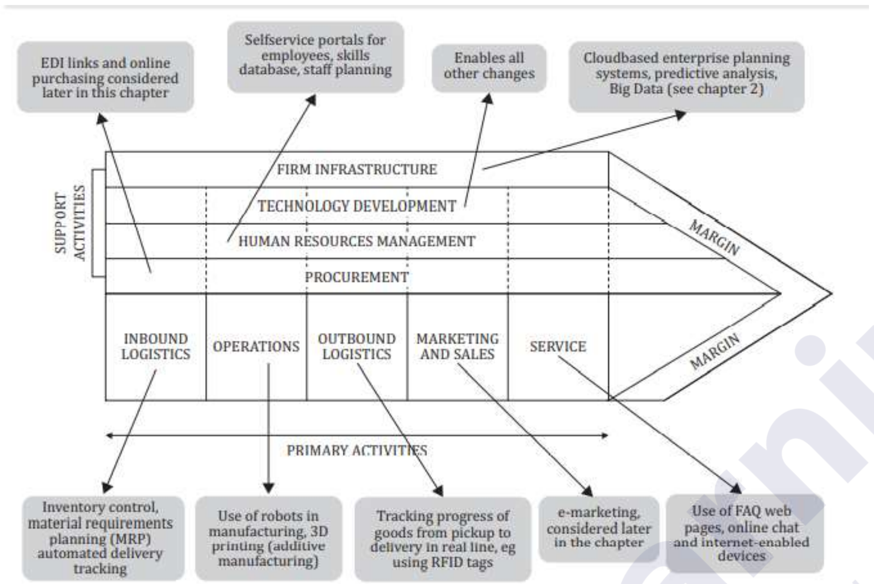
Development of B2B e commerce

Stages of B2B development		
1	Emission – Broadcast	The company begins by creating an informational website for its clients
2	Interaction	Using the internet for interaction with customers such as emails, customer surveys and feedback
3	Transaction	The use of the internet to take, manage and support transactions with customers such as online ordering systems
4	Collaboration	The use of the internet to provide inter-organisational activities, that can be accessed and utilised by the company and its trading partners

B2B Applications

B2B application	
Supply chain management	By linking systems and exchanging information, companies are able to communicate more easily with suppliers and customers. Better information can be used to make supply chain operations more efficient. For example, order scheduling and just-in-time purchasing are more practical when supplier and customer have linked computer systems for exchanging information.
Customer relationship management (CRM)	A company can use information links with major customers to improve the relationship and understanding with the customer.
Outsourcing	Companies may be more willing to outsource some of their activities to external suppliers when they have linked computer systems. With connected systems, it is easier to monitor the performance of suppliers of outsourced services, and to exchange operational information.
E-procurement	See below.

Elements of e business models



E-procurement

E-procurement is a term for purchasing goods by businesses by electronic means, for example, by means of electronic data interchange (EDI) with major suppliers or by purchasing through the internet.

Model	How it works
Public web	Individual buyers find individual suppliers on the World Wide Web and make a purchase. There is no structural relation between buyer and supplier.
Exchange	Supplier and buyers trade through a third-party open marketplace. They have no structural relationship even though they may regularly deal with each other.

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E-procurement

Supplier centric modal An individual supplier gives access to its website or computer system to buying organizations for a pre-negotiated product range. Buyer and supplier have a contractual relationship.

Buyer centric modal : ndividual companies have contracts with a number of different suppliers. The catalogue and ordering system are maintained within the buying organisation. The system is fully integrated into corporate financial control and reporting systems.

B2B market place: An independent third party has agreements with a number of buying and supplying organisations. Buyers and suppliers deal with each other through a marketplace. Both are bound by agreements with the marketplace.

Advantages of E business

1. Overcome geographical limitations (Hero Images/Getty Images)
2. Gain new customers with search engine visibility
3. Lower costs
4. Locate the product quicker
5. Eliminate travel time and cost
6. Provide comparison shopping
7. Enable deals, bargains, coupons, and group buying
8. Provide abundant information

Internet in context

1. New distribution channels, revolutionizing sales and brand management. In this respect, we can suggest that e-Commerce may be increasing the rivalry between competitors in an industry.
2. The continued shift of power towards the consumer. For example, the ability to compare prices directly between different online retailers increases the bargaining power of customers.
3. Growing competition in the region, internationally and globally. The internet removes some of the barriers to entry to an industry. For example, a 'shop' no longer has to incur overheads such as rent and rates because it can be set up online.

Internet in context

4. An acceleration in the pace of business and, linked to this, an increased automation of business transactions and workflows.
5. The transformation of companies into 'extended enterprises' involving 'virtual teams of business, customer and supplier' working in collaborative partnerships.
6. Reduced importance of location. The availability of internet connections is making the physical location where people work less important.
7. A re-evaluation of how companies, their partners and competitors add value not only to themselves but in the wider environmental and social setting.

THANK YOU