

Chapter-7

E-Commerce/E-Business

E-Commerce or Electronics Commerce is a methodology of modern business which addresses the need of business organizations, vendors and customers to reduce cost and improve the quality of goods and services while increasing the speed of delivery. E-commerce refers to paperless exchange of business information using following ways.

- ☐ Electronic Data Exchange (EDI)
- ☐ Electronic Mail (e-mail)
- ☐ Electronic Bulletin Boards
- ☐ Electronic Fund Transfer (EFT)
- ☐ Other Network-based technologies



7.1 FEATURES

E-Commerce provides following features

Non-Cash Payment E-Commerce enables use of credit cards, debit cards,

smart cards, electronic fund transfer via bank's website and other modes of electronics payment.

24x7 Service availability E-commerce automates business of enterprises and services provided by them to customers are available anytime, anywhere. Here 24x7 refers to 24 hours of each seven days of a week.

Advertising / Marketing E-commerce increases the reach of advertising of products and services of businesses. It helps in better marketing management of products / services.

Improved Sales Using E-Commerce, orders for the products can be generated anytime, anywhere without any human intervention. By this way, dependencies to buy a product reduce at large and sales increases.

Support E-Commerce provides various ways to provide pre sales and post sales assistance to provide better services to customers.

Inventory Management Using E-Commerce, inventory management of products becomes automated. Reports get generated instantly when required. Product inventory management becomes very efficient and easy to maintain.

Communication improvement E-Commerce provides ways for faster, efficient, reliable communication with customers and partners.

TRADITIONAL COMMERCE V/S E-COMMERCE

S. No.	Traditional Commerce	E-Commerce
1	Heavy dependency on information exchange from person to person.	Information sharing is made easy via electronic communication channels making little dependency on person to person information exchange.
2	Communication/ transaction are done in synchronous way. Manual intervention is required for each communication or transaction.	Communication or transaction can be done in asynchronous way. Electronics system automatically handles when to pass communication to required person or do the transactions.
3	It is difficult to establish and maintain standard practices in traditional commerce.	A uniform strategy can be easily established and maintain in e-commerce.

4	Communications of business depends upon individual skills.	In E-Commerce or Electronic Market, there is no human intervention.
5	Unavailability of a uniform platform as traditional commerce depends heavily on personal communication.	E-Commerce website provides user a platform where all information is available at one place.
6	No uniform platform for information sharing as it depends heavily on personal communication.	E-Commerce provides a universal platform to support commercial / business activities across the globe.

E-Commerce advantages can be broadly classified in three major categories:

- ☐ Advantages to Organizations
- ☐ Advantages to Consumers
- ☐ Advantages to Society

7.2 ADVANTAGES TO ORGANIZATIONS

- ☐ Using E-Commerce, organization can expand their market to national and international markets with minimum capital investment. An organization can easily locate more customers, best suppliers and suitable business partners across the globe.
- ☐ E-Commerce helps organization to reduce the cost to create process, distribute, retrieve and manage the paper based information by digitizing the information.
- ☐ E-commerce improves the brand image of the company.
- ☐ E-commerce helps organization to provide better customer services.
- ☐ E-Commerce helps to simplify the business processes and make them faster and efficient.
- ☐ E-Commerce reduces paper work a lot.
- ☐ E-Commerce increased the productivity of the organization. It supports "pull" type supply management. In "pull" type supply management, a business process starts when a request comes from a customer and it uses just-in-time manufacturing way.

7.3 ADVANTAGES TO CUSTOMERS

- ☐ 24x7 support: Customer can do transactions for the product or enquiry about any product/services provided by a company anytime, anywhere from any location. Here 24x7 refers to 24 hours of each seven days of a

week.

- ☐ E-Commerce application provides user more options and quicker delivery of products.
- ☐ E-Commerce application provides user more options to compare and select the cheaper and better option.
- ☐ A customer can put review comments about a product and can see what others are buying or see the review comments of other customers before making a final buy.
- ☐ E-Commerce provides option of virtual auctions.
- ☐ Readily available information. A customer can see the relevant detailed information within seconds rather than waiting for days or weeks.
- ☐ E-Commerce increases competition among the organizations and as result organizations provides substantial discounts to customers.

7.4 ADVANTAGES TO SOCIETY

- ☐ Customers need not to travel to shop a product thus less traffic on road and low air pollution.
- ☐ E-Commerce helps reducing cost of products so less affluent people can also afford the products.
- ☐ E-Commerce has enabled access to services and products to rural areas as well which are otherwise not available to them.
- ☐ E-Commerce helps government to deliver public services like health care, education, social services at reduced cost and in improved way.

E-Commerce disadvantages can be broadly classified in two major categories:

- ☐ Technical disadvantages
- ☐ Non-Technical disadvantages

7.5 TECHNICAL DISADVANTAGES

- ☐ There can be lack of system security, reliability or standards owing to poor implementation of e-Commerce.
- ☐ Software development industry is still evolving and keeps changing rapidly.
- ☐ In many countries, network bandwidth might cause an issue as there is insufficient telecommunication bandwidth available.
- ☐ Special types of web server or other software might be required by the vendor setting the e-commerce environment apart from network servers.
- ☐ Sometimes, it becomes difficult to integrate E-Commerce software or

website with the existing application or databases.

- ☐ There could be software/hardware compatibility issue as some E-Commerce software may be incompatible with some operating system or any other component.

7.6 NON-TECHNICAL DISADVANTAGES

- ☐ Initial cost: The cost of creating / building E-Commerce application in-house may be very high. There could be delay in launching the E-Commerce application due to mistakes, lack of experience.
- ☐ User resistance: User may not trust the site being unknown faceless seller. Such mistrust makes it difficult to make user switch from physical stores to online/virtual stores.
- ☐ Security/ Privacy: Difficult to ensure security or privacy on online transactions.
- ☐ Lack of touch or feel of products during online shopping.
- ☐ E-Commerce applications are still evolving and changing rapidly.
- ☐ Internet access is still not cheaper and is inconvenient to use for many potential customers like one living in remote villages.

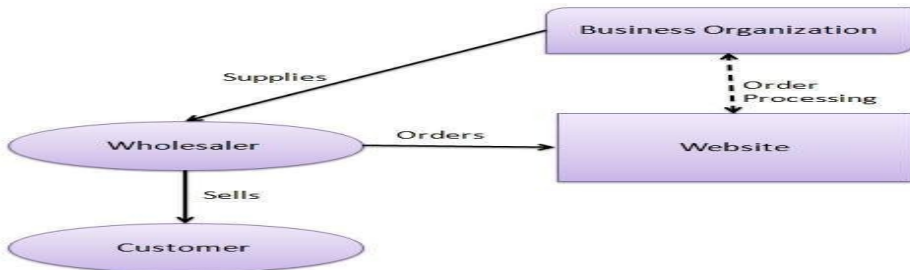
7.7 E-COMMERCE BUSINESS MODELS

E-Commerce or Electronics Commerce business models can generally categorized in following categories.

- ☐ Business - to - Business (B2B)
- ☐ Business - to - Consumer (B2C)
- ☐ Consumer - to - Consumer (C2C)
- ☐ Consumer - to - Business (C2B)
- ☐ Business - to - Government (B2G)
- ☐ Government - to - Business (G2B)
- ☐ Government - to - Citizen (G2C)

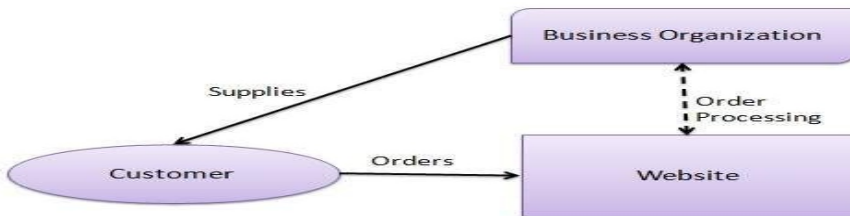
BUSINESS - TO - BUSINESS (B2B)

Website following B2B business model sells its product to an intermediate buyer who then sells the product to the final customer. As an example, a wholesaler places an order from a company's website and after receiving the consignment, sells the end product to final customer who comes to buy the product at wholesaler's retail outlet.



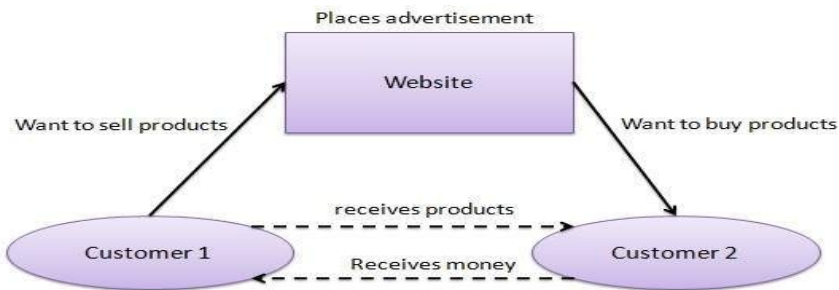
BUSINESS - TO – CONSUMER (B2C)

Website following B2C business model sells its product directly to a customer. A customer can view products shown on the website of business organization. The customer can choose a product and order the same. Website will send a notification to the business organization via email and organization will dispatch the product/goods to the customer.



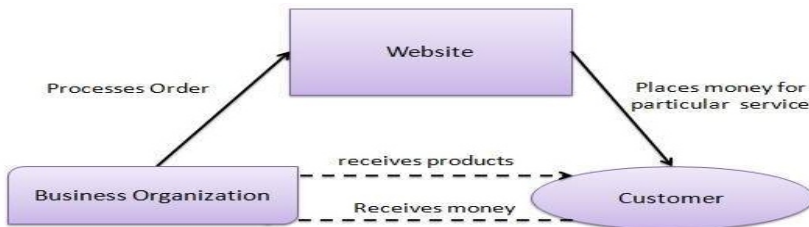
CONSUMER - TO - CONSUMER (C2C)

Website following C2C business model helps consumer to sell their assets like residential property, cars, motorcycles etc. or rent a room by publishing their information on the website. Website may or may not charge the consumer for its services. Another consumer may opt to buy the product of the first customer by viewing the post/advertisement on the website.



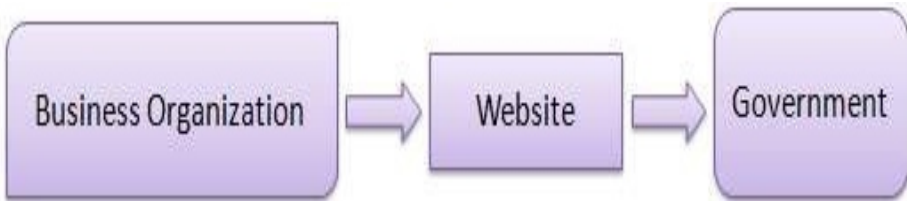
CONSUMER - TO - BUSINESS (C2B)

In this model, a consumer approaches website showing multiple business organizations for a particular service. Consumer places an estimate of amount he/she wants to spend for a particular service. For example, comparison of interest rates of personal loan/ car loan provided by various banks via website. Business organization who fulfills the consumer's requirement within specified budget approaches the customer and provides its services.



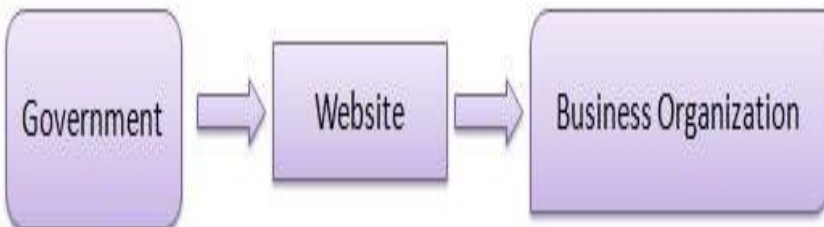
BUSINESS - TO - GOVERNMENT (B2G)

B2G model is a variant of B2B model. Such websites are used by government to trade and exchange information with various business organizations. Such websites are accredited by the government and provide a medium to businesses to submit application forms to the government.



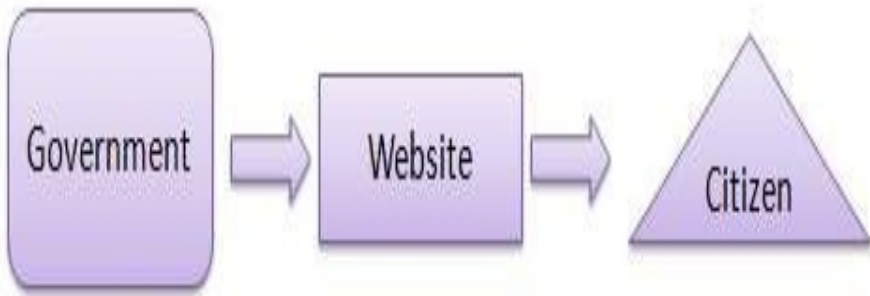
GOVERNMENT - TO - BUSINESS (G2B)

Government uses B2G model website to approach business organizations. Such websites support auctions, tenders and application submission functionalities.



GOVERNMENT - TO - CITIZEN (G2C)

Government uses G2C model website to approach citizen in general. Such websites support auctions of vehicles, machinery or any other material. Such website also provides services like registration for birth, marriage or death certificates. Main objectives of G2C website are to reduce average time for fulfilling people requests for various government services.



7.8 THE SIX COMPONENTS OF A MARKETING PLAN FOR SMALL BUSINESS

Small businesses create products and services that serve the needs and wants of their target markets. To reach their target marketing, small business owners have to put together marketing plans that outline how they'll inform, educate and remind potential customers and current customers about their products and services. There are six components each small business owner's marketing plan should include, regardless of industry.

DESCRIBE THE BUSINESS

A portion of your marketing plan should describe the type of business you run, including a listing of the products and services you offer potential customers. You can discuss which industry your business is a part of and provide details on the industry's growth over the years, your market share and marketing trends.

OUTLINE TARGET MARKET

Before you can begin marketing your product or service, you have to know the type of customers you're trying to attract to your business. Outline your target market by listing characteristics such as age, income, education level, geographic local, marital status, lifestyle, hobbies and interests. This information will help you pinpoint the most effective media to use when you're marketing to your target clients.

LIST THE COMPETITION

Whether you operate a small candy store or a beauty salon, you likely have competitors who offer products and services that are similar to what your business provides. Identify who your competition is, by name, whether they're online or offline. List the types of products and services they offer, the types of customers they target and take note of the tactics they use to attract and retain customers. This information can help you as you develop your own marketing strategies and tactics.

7.9 PERFORM SWOT ANALYSIS

A SWOT analysis will help you identify the strengths, weaknesses, threats and opportunities your business faces as you set out to market your products and services. Strengths might include your staff's expertise or the technology you use to create your product, while weaknesses might include your limited budget. Opportunities might include your company being the only one in your area offering a product or a service, while a threat might include substitutes that exist in the market.

LIST GOALS AND TACTICS

An effective marketing plan outlines the goals a company would like to accomplish. Whether you want to introduce your product to a new market, grab a 20 percent share of the market or use social media to increase word-of-mouth marketing, your business goals will help drive the tactics you use to advertise your business. Tactics might include hosting an in-store event, setting up social media profiles, working with a publicist to create a press release, creating a contest or implementing a cause marketing effort.

CREATE YOUR BUDGET

Accomplishing your marketing goals and implementing your marketing tactics requires a budget. Your marketing budget should outline what percentage of your profits, or overall business budget, you plan to dedicate to funding marketing activities for your business. You may elect to split your budget between online and print advertising, participating in trade shows, direct marketing and sponsorship opportunities. Advertising author Roy Williams suggests determining your minimum and maximum marketing budget by taking 10 to 12 percent of your projected gross sales and then multiplying each by the markup on your average client transaction. Then, deduct your annual rent cost, if applicable, from those figures. The final figures represent the minimum and maximum range of your annual marketing budget.

Developing a business plan without knowing the basic elements can be challenging. You need to structure your document in a way that persuades potential lending institutions and investors to finance your business. There are six key elements in a standard business plan. However, there are no strict guidelines on form, descriptions or details contained in each component of the plan. Business and industry goals, knowledge of market needs and operational strength are factors considered in a business plan tailored for success.

TRANSMITTAL LETTER

The transmittal letter for a business plan is similar to a cover letter accompanying a resume. Potential investors read a well-constructed transmittal letter as the introduction to the business plan. It contains all the components necessary to seek funding and is a succinct introduction that encourages reading the entrepreneur's position.

7.10 BUSINESS PHILOSOPHY AND VISION

The statement of the business philosophy and vision might also address organizational goals, industry knowledge and what sets the business apart from other similar enterprises. If this business endeavour is in an industry new to the entrepreneur, this section can also address how successful the business will be based on the research conducted.

EXECUTIVE SUMMARY

Another key element is the executive summary, which gives a snapshot of the entire business plan. A carefully written executive summary can explain nearly everything about the business plan in three pages or less. As the title suggests, it summarizes the business plan, thus, it's usually constructed after the final draft of a business plan.

BUSINESS DETAILS

Operational details such as workforce planning, production schedules, marketing and feasibility studies and business policies and procedures comprise this extensive section. "Entrepreneur" magazine states this section discusses logistics of the organization, such as the various responsibilities of the management team, the tasks assigned to each division within the company, and capital and expense requirements related to the operations of the business. Another way to describe this section is as a presentation of a pre-opening SWOT analysis of the organization. Conducting a SWOT analysis involves looking at the strengths, weaknesses, opportunities and threats in an objective manner.

FINANCIAL DETAILS

Lending institutions and potential investors are especially interested in how their funds will be used. Consequently, one entire section of a business plan is devoted to an explanation of budget, allocations, projections, return on investment, revenue base and income. Your banker or investors will also want to know how much money you intend to leave in the business as retained earnings and how much additional debt or equity financing you'll need. A well-constructed section about the financial aspects of a new business can convince investors why they should finance the business.

DOCUMENTATION AND ATTACHMENTS

Supporting materials are the final important element in a business plan. Careful attention paid to attaching all required documentation substantiates information contained in the business plan. To demonstrate solvency and business proficiency, potential business owners submit evidence of personal financial stability and resumes describing professional backgrounds that qualify them to operate the organization.

Important Points:

- ☐ E-commerce refers to paperless exchange of business information.
- ☐ Electronics Commerce mainly consist of seven business models
- ☐ A SWOT analysis will help you identify the strengths, weaknesses, threats and opportunities your business faces as you set out to market your products and services.
- ☐ Security & Privacy are the big issue for E-Business
- ☐ E-Commerce reduces paper work a lot and increases the transparency.
- ☐ E-Commerce gives advantages to organization, consumer and society.

Practice Questions

Objective type questions:

Q1. E- commerce stands for

- a. Electric commerce
- b. Electron Commerce
- c. Electronic Commerce
- d. None of these

Q2. G2C Stands for

- a. Consumer to Government
- b. Government to Cost
- c. Government to Consumer

d. None

Q3. EDI stands for

- a. Electronic Data Exchange
- b. Electronic Data Internet
- c. Electronic Data Transfer
- d. None

Q4. Which is not the feature of E-commerce

- a. 24 X 7 Service
- b. Cash Payment
- c. Marketing
- d. None of these

Very short answer type questions:

Q1. Define E-Commerce.

Q2. Full form of E-mail.

Q3. Full form of B2B.

Q4. What is G2B?

Q5. Define SWOT Analysis.

Short answer type questions:

Q1. What is Traditional Business?

Q2. Define Electronic Fund Transfer

Q3. Explain the role of Government in E-Business.

Q4. Explain Inventory Management in E-commerce.

Q5. What are E-Commerce advantages to consumers?

Q6. What are E-Commerce advantages to society?

Essay type questions:

Q1. Explain the Six Component of small Business.

Q2. Discuss the different features of E-commerce.

Q3. Explain the difference between traditional v/s E-Business.

Q4. Explain the Different Business model of E-Commerce

Answers key for objective questions

Q1: c

Q2: c

Q3: a

Q4: b