

Prepared by Bhavya kannaiah

CHAPTER -1

E-BUSINESS INTRODUCTION

1.What is Electronic Commerce?

Electronic commerce is the process by which businesses and consumers buy and sell goods and services using electronic network

2.Meaning of E-Commerce:

E-Commerce is defined as those commercial transactions carried out using the electronic means, in which goods or services are delivered either electronically or in their tangible or intangible form. Examples of E-Commerce:

(a) Online shopping: Buying and selling goods on the internet is one of the most popular examples of ECommerce .

(b) Electronic payments: When we are buying goods online, there needs to be a mechanism to pay online too. Electronic payments reduce the inefficiency associated with writing the Cheque books. It also does away with many of the safety issues that arise due to the payments made in currency notes.

3.What is e-business?

E-Business is the conduct of business on the Internet, not only buying and selling, but also servicing the customers and collaborating with the business partners. E-Business includes customer service (e-service) and intra-business tasks.

Example of E-Business:

- An online system that tracks the inventory and triggers alerts at specific levels is E-Business Inventory Management is a business process. When it is facilitated electronically, it becomes part of E-Business.
- An online induction program for new employees automates part or whole of its offline counterpart.

4.BENEFITS OF ELECTRONIC COMMERCE

A)Benefits of E-Commerce to Businesses

- **It helps to reach Global:**

E-Commerce enabled business now have access to people all around the world..E-Commerce expands the market place to national and international markets. E-Commerce helps to reach a more customer in global level as compared to the traditional business methods.

- **Cost effective:** E-Commerce is proved to be highly cost effective for business concerns as it cuts down the cost of marketing, processing, inventory management, customer care etc. It also reduces the burden of infrastructure required for conducting business.
- **It Reduces the Paper Costs:** E-Commerce decreases the cost of creating, processing, distributing, storing and retrieving information through the use of FDI systems. This greatly cuts on the cost of paper work in terms of the time taken and the man power required.
- **Mass Customization and Competitive advantage:** The web based interactive ECommerce enables the customization of products/services as per the customer needs. This provides a great competitive advantage to businesses. For example, an online travel agency may customize the literary for a customer who wishes to travel abroad or a computer manufacturer may be able to supply to customized PC to a user.
- **No Middlemen:** There is a direct contract with customers in E-Commerce through internet without any intermediation. Companies can now focus more on specific customers by adapting different one-to-one marketing strategy.
- **Reduced Production lead Time:** The production cycle time is the time taken by a business to build a product, beginning with the design phase and ending with the completed product. The internet based E-Commerce enables the reduction of this cycle time by allowing the production teams to electronically share design specifications and refinement processes. The

reduction in the production cycle time helps to reduce the fixed overheads associated with each unit produced. This saving in the cost production can be passed onto the customer or may be used to achieve higher profits.

- **Improved Customer relationship:** Customer service can be enhanced using the internet based E-Commerce by helping the customer to access information before, during and after a sale. Customers may need to retrieve information on product specifications and pricing. A prompt customer support service can help businesses to earn goodwill of customers in the long run.
- **Lower Sale and Marketing Costs:** The internet allows businesses to reach many customers globally at lower costs. Thus by shifting the sale and marketing functions to the electronic processes, the organizations can bring down greatly the marketing overheads. For example, advertisements on the internet can cut down the cost of printing and mailing the pamphlets or brochure. Any change in product specifications in the case of paper-based advertisements may mean re-printing, however in web based advertisement it may mean changes only in the web site.
- **Increased supply chain efficiencies:** E-Commerce minimizes supply chain inefficiencies, reduces inventories, reduces delivery delays.
- **Information sharing:** It takes only few seconds to share information over the internet. a firm can e-mail its customers relating new products and new offers and can solve their product related queries and welcome suggestions.

B)Benefits of E-Commerce to Consumers:

- **Gives freedom to make choices:** It also gives customers an opportunity to look for cheaper and better quality products. With E-Commerce , consumers can search the specific product or service they require and can even find the direct manufacturer from where they can purchase products at comparatively less price. Shopping online is time saving and convenient.
- **Increase in variety of goods:** As the market will expand the variety of goods available will also expand. Wide variety of goods are available than ever before.

- **It gives more choice and alternatives:** E-Commerce provides more choice and alternatives to customers. A large number of vendors/manufacturers are marketing and selling their products/services on the internet. Virtual shops (e.g. Homeshop18, snapdeal, flipkart) can offer the consumers a large number of products/services at a single site.
- **Convenience of Shopping at Home:** Allows the consumers to shop from convenient place for them. Also for handicapped or ill consumers, home shopping on the internet provides a lot of opportunity and convenience.
- **Ensure Secrecy:** the various security measures that are in built are used in ECommerce transactions to prevent any unauthorised access to information on the internet for ensure secrecy they maintain encoding, encryption and passwords.
- **More Competitive Prices and Increased Price comparison capabilities:** The large amount of information available on the internet is giving more and more power to the consumers. Consumers can make comparison shopping. There are several online services that allow customers to browse multiple ecommerce merchants and find the best prices.
- **Time compression:** Time is not a factor with Internet communication between firms and their stakeholders. Online stores can be open 24/7
- **Quick Delivery of Digitized Products/Services:** E-Commerce allows quick delivery in the case of digitized products such as music, software etc.
- **Provide Comparison Shopping:** Economic facilitates comparison shopping. There are several online services that allow customers to browse multiple ecommerce merchants and find the best prices.
- **E-payment system:** The electronic payment system on the internet is facilitated by payment gateways or intermediary between the business firm and customers and between the business firms for assuring the payments from the customers.

C)Benefits of E-Commerce to Society:

- **Enables More Flexible Working Practices:** Which enhances the quality of life for a whole host of people in society, enabling them to work from

home. Not only is this more convenient and provides happier and less stressful working environments. It also potentially reduces environmental pollution as fewer people have to travel to work regularly.

- **Connects People**: Enables people in developing countries and rural areas to enjoy and access products, services, information and other people which otherwise would not be easily available to them.

3. **Facilitates Delivery of Public Services**: The health services available over the Internet on-line consultation with doctors or nurses, filing taxes over the Internet through the Inland Revenue website.

DISADVANTAGES OF ELECTRONIC COMMERCE

1. **Ecommerce Lacks That Personal Touch**: Not that all physical retailers have a personal approach, but we do know of several retailers who value human relationship. As a result, shopping at those retail outlets is reassuring and refreshing. Clicking on “Buy Now”, and piling up products in virtual shopping carts.

2. **System and data integrity**: A computer virus is a program that clones itself when an injected piece of program code is executed. It is a malicious program. Data protection from the viruses that causes unnecessary delays and can clean up all stored information must. In order to create a cost-effective response to the varied technical and human threats to web site security.

3. **E-Commerce Delays Goods**: Ecommerce websites deliver to take a lot longer to get the goods into consumer hands. Even with express shipping the earliest consumer gets goods in next day. An exception to this rule is in the case of digital goods such as an e-book or a music file. In this case, ecommerce might actually be faster than purchasing goods from a physical store.

4. **System scalability**: It means regular up-gradation of the website is required when the number of website users increase over a period of time or during busy seasons. As a result of a rush of enquiries on the company's site, it might cause a slow-down of the system performance and eventually loss of customers.

5. **Dependent on internet:** E-Commerce is dependent on internet. Mechanical failures in the system can cause unpredictable effects on the total processes. Furthermore, there are many hackers who look for opportunities, and thus an ecommerce site, service, payment gateways; all are always prone to attack. Things such as viruses could mean losing the site or affecting the customer's computers while on purchasing from the website.

6. **Ecommerce Does Not Allow Experiencing the Product before Purchase:** It cannot touch the fabric of the garment when consumers wants to buy and it check how the shoe feels on our feet, consumer cannot "test" the perfume that consumer want to buy. In many cases, customers want to experience the product before purchase.

7. **Loyal customers:** Great amount of effort is put on building a customer relationship buy the organizations and retaining them is rather a bigger job. A business cannot survive without a loyal customer.

8. **Shopping is Social Experience:** People love to shop in the mall because it gives them an opportunity to have fun with friends and family. It's something online stores lack of.

9. **Anyone one Can Set Up an Ecommerce Website:** Where online storefront providers bring the ability to set up an ecommerce store within minutes. The lowered barriers to entry might be a great attraction to the aspiring ecommerce entrepreneur. But for the buyer, reliability can be an issue. This could lead customers to restrict their online purchases to famous ecommerce websites.

10. **Too Many Competitors:** If there are thousands of online stores selling similar products, how company can attract visitors, so they actually but from it and not from others? As the technology has boomed the competition is increasing because more and more people are opening their businesses on internet

11. **Security:** When making an online purchase consumer have to provide at least credit card information and mailing address. In many cases ecommerce websites

are able to harvest other information about our online behaviour and preferences. This could lead to credit card fraud, or worse, identity theft.

Some of the very important E-Commerce models are elaborately explained as follows:

(1) Business - to - Business (B2B):

Business - to - Business (B2B) is a transaction that occurs between two companies, as opposed to a transaction involving a consumer. This term may also describe a company that provides goods or services for another company. Business - to - Business (B2B) is a transaction that exists between businesses, such as those involving

- a manufacturer and wholesaler, or,
- a wholesaler and a retailer.

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.

Examples of B2B Model: —

Let us take an example of www.amazon.com. As we know, www.flipkart.com is an online store that sells various products from various companies. Assume that the skyward publishers want to sell the books online. In this case, the publishers have the option of either developing their own site or displaying their books on the Amazon site (www.flipkart.com), or both. The publishers mainly choose to display their books on www.flikart.com at it gives them a larger audience. Do Now, to do this, the publishers need to transact with flipkart, involving business houses on the both the ends, is the B2B model

Advantages of B2B Model

- It can efficiently maintain the moment of the supply chain and the manufacturing and procuring processes.

- It can automate corporate processes to deliver the right products and services quickly and cost-effectively.
- B2B is global trade market, where we can buy anything at anytime.
- Creates new sales opportunities
- It lowers the search cost and time for buyers to find products and vendors

Disadvantages of B2B Model

Delay of goods where the earliest to receive goods would be the next day

- Some goods cannot be purchased online such as perishable items
- Unable to experience the product before purchasing
- Fraudulent websites and scams
- Security issues leading to credit card fraud or identity theft

(2) Business - to – Consumer(B2C):

Business - to – Consumer(B2C) is a transaction in which the businesses sell their products or services to the consumers directly. It refers to the online selling of products, or, e-tailing, in which the manufacturers or retailers sell their products directly to the consumers over the internet.

Examples of some of the B2C Websites:

1. Fashion & Lifestyle Sunglassesindia.com, Brandsndeals.com, Shopperstop.com
2. Custom designed T-shirt, mug, calendar etc Myntra.com, Zoomin.com
3. Gifts, cakes etc. Infibeam.com, IndianGiftsPortal.com, Giftsandlifestyle.com

Advantages Business - to – Consumer(B2C):

- It can reach worldwide market with unlimited volume of customers.
- It can display information, pictures, and prices of products or services without spending a fortune on colourful advertisements.
- Order processing an easier task than before.
- It can operate on decreased, little, or even no overhead.

Convenience: Consumers can shop at any time of day, from the privacy of their own home. Internet shopping can be done at time either day or night.

- Many choice: Consumers is offered many choices for the same products under various brands
- Less Hassle: Consumers can shop online without hassles like traffic, congestion of the malls etc.

Disadvantages of Business - to – Consumer(B2C):

- Many websites offering the same product to the customers
- Technological problems can cause the website to not operate properly thereby loosing the customer.
- People are hesitant to enter the credit card details if the website does not have proper security norms.
- Security issues, especially credit card information which is very sensitive. Fraud, rip-offs are very common on the web.
- Customer service may not be satisfactory for the consumers.

Consumer - to - Consumer (C2C):

C2C, or customer-to-customer, or consumer-to-consumer, is a business model that facilitates the transaction of products or services between customers.

Examples of other C2C websites:

- www.olx.in (internet classified)
- www.carwale.com (internet classified)
- www.quicker.com (internet classified)

Advantages of C2C Model:

- Customers can directly contact sellers and eliminate the middle man.
- Anyone can now sell and advertise a product in the convenience of one's home.

- Sellers can reach both national and international customers and greatly increase their market.
- Feedback on the purchased product helps both the seller and potential customers.
- The transactions occur at a swift rate with the use of online payments systems such as Paytm

Disadvantages of C2C Model:

- **Fees** :online auction allow one to display his or her products there is often a fee associated with such exhibitions
- **Commission**: websites may charge a commission when products are sold
- **Frauds**: with growing use of online auction the number of internet related auction frauds have also increased .

Ecommerce revenue model

1. **Revenue from subscription access to content**: The subscription model applies to the companies that charge subscribers a fee, normally to view text or graphical information. A range of documents can be accessed for a period of a month or typically a year. Here, one of the main challenges the companies are facing is, marketing to a much smaller niche audience who are willing to pay the regular fees, as opposed to a much larger audience that might use the services at no charge. For example, I subscribed to FT.com for access to the digital technology section for around , 80 GBP per year a few years ago. Smart Insights Expert members have an annual subscription in this form.

2. **Revenue from Pay Per View access to document**:

Here payment occurs for single access to a document, video or music clip which can be downloaded. It may or may not be protected with a password or Digital Rights Management. For example, I've paid to access detailed best practice guides on Internet marketing from Marketing Sherpa. Digital rights management (DRM) The use of different technologies to protect the

distribution of digital services or content such as software, music, movies, or other digital data.

3. **Revenue from CPM display advertising on site:** (e.g. banners ads and skyscrapers). This model relies on advertising to make money. CPM stands for "cost per thousand" where M denotes "Mille". The site owner such as FT.com charges all the advertisers a rate card price (for example 50 GBP CPM) according to the number of its ads shown to site visitors. Ads may be served by the site owners' own ad server or more commonly through a third-party ad network service such as Google Ad Sense as is the case with my site.

4. **Revenue from CPC advertising on site (pay per click text ads):**

CPC stands for "Cost Per Click". Advertisers are charged not simply for the number of times their ads are displayed, but according to the number of times they are clicked. These are typically text ads similar to sponsored links within a search engine but delivered over a network of third party sites by on a search engine such as the Google Ad sense Network.

5. **Affiliate revenue (CPA, but could be CPC):**

Affiliate revenue is commission base. For example I display Amazon books on my personal blog site DaveChaffey.com and receive around 5% of the cover price as a fee from Amazon. Such an arrangement is sometimes known as Cost Per Acquisition (CPA).

What do you mean web auction?

- A web auction/online auction is an auction which is held over the internet.
- Online auctions are places that people can go in order to buy or sell goods or services online for a small fee.
- An online auction is also known as a virtual auction.

Definition and Examples: Web Auction or Online Auction

Online auctions are places that people can go in order to buy or sell goods or services online for a small fee. Anyone can sell an item and anyone can bid on an item. The highest bidder wins the auction and pay for the good or service and then expects for to receive their winning in the next couple of days through the mail or some other way of delivery.

Online auctions are a widely accepted business model for the following reasons:

- No fixed time constraint
- Flexible time limits
- No geographical limitations
- Offers highly intensive social interactions
- Includes a large numbers of sellers and bidders, which encourages a high-volume online business

Types of Online Auctions:

- **English auctions**

English auctions are where bids are announced by either an auctioneer or by the bidders and winners pay what they bid to receive the object. English auctions are claimed to be the most common form of third-party on-line auction format used

- **Dutch auctions**

Dutch auctions are the reverse of English auctions whereby the price begins high and is systematically lowered until a buyer accepts the price. Dutch auction services are usually misleading and the term 'Dutch' tends to have become common usage for the use of a multiunit auction in a single unit auction as opposed to how it is originally intended for that of a declining price auction. However, with actual on-line Dutch auctions where the price is descending, it was found that auctions have on average a 30% higher ending price than first-price auctions with speculation pointing to bidder impatience or the effect of endogenous entry on the Dutch auction.

- **First-price sealed-bid**[\[edit\]](#)

[First-price sealed-bid](#) auctions are when a single bid is made by all bidding parties and the single highest bidder wins, and pays what they bid. The main difference between this and [English auctions](#) is that bids are not openly viewable or announced as opposed to the competitive nature which is generated by public bids. From the [game-theoretic](#) point of view, the first-price sealed-bid auction is strategically equivalent to the [Dutch auction](#); that is, in both auctions the players will be using the same bidding strategies.^[5]

- **Vickrey auction**[\[edit\]](#)

A [Vickrey auction](#), sometimes known as a *second-price sealed-bid auction*, uses very much the same principle as a first-price sealed bid. However, the highest bidder and winner will only pay what the second highest bidder had bid. The Vickrey auction is suggested to prevent the incentive for buyers to bid strategically, due to the fact it requires them to speak the truth by giving their true value of the item. If a bidder makes a very high bid, they may have to pay that price, but if they make a low bid there is a chance that they will lose the item. Therefore, the winner is the person who values the item the highest. It's a win-win situation for both the seller and the winner.^[6]

- **Reverse auction**[\[edit\]](#)

[Reverse auctions](#) are where the roles of buyer and seller are reversed. Multiple sellers compete to obtain the buyer's business and prices typically decrease over time as new offers are made. They do not follow the typical auction format in that the buyer can see all the offers and may choose which they would prefer. Reverse auctions are used predominantly in a business context for [procurement](#).^[7] Reverse auctions bring buyers and sellers together in a transparent marketplace. The practice has even been implemented for private jet travel on the online auction site [Marmalade Skies](#). IP The term reverse auction is often confused with [unique bid auctions](#), which are more akin to traditional auctions as there is only one seller and multiple buyers. However, they follow a similar price reduction concept except the lowest unique bid always wins, and each bid is confidential.^[8]

Virtual Communities

A virtual community is a gathering place for people and businesses that does not have a physical existence

Benefits of Online/Virtual Community

- Gives your business worldwide exposure
- Gain knowledge from other online community members:
- Form a formidable partnership
- Maximize your presence in your online community:
- Be wise in choosing your online community
- Builds relationships

WEB PORTAL

A web portal or Public portal refers to a Web site or a service, that offers a broad

array of resources and services, such as E-Mail, forums, search engines and online shopping malls.

Features of Web Portals:

- Each information source gets its dedicated area on the page for displaying information

called as a portal the user can configure which ones to display. The role of the user in an organization may determine which content can be added to the portal or deleted from the portal configuration.

- A portal may use a search engine API to permit users to search intranet content as opposed to extranet content by restricting which domains may be searched. Apart from this common search engines feature, web portals may offer other services such as e-mail, news,

stock quotes, information from databases and even entertainment content.

- Portals provide a way for enterprise and organization to provide a consistent look and feel with access control and procedures for multiple applications and databases, which otherwise would have been different web entities at various URLs. The features available may be restricted by whether access is by an authorized and authenticated user (employee,member) or an anonymous site visitor.

Types of portal

- Vertical portal: These are web portals which focus only on one specific industry, domain Eg: sbi.com
- Horizontal portal: this act as an entry point of web surfer into internet, this guides the user towards right direction to fetch more related resources and information Eg: google.com, yahoo.com
- Enterprise portal: it refers to intranet portals which are specifically used with in the enterprise to share the information, reports, projects etc
- Knowledge portal: this type of portal focus on giving information to the general public Eg: Ask me.com, yellow pages .com, just dial
- Corporate portal: This type of portal are for the benefit of the company's own employees. They are developed to assist and provide access to a company's business partners, suppliers, customers as well. Eg: NH india.edu, Indian bank
- Market portal: They are concerned with trading business such as online shopping malls Eg snapdeal.com, Amazon.com, flipkart.com
- Search engine portals: They are those portals which provide a facility to access the information or to search the information Eg: google, bing, Ask me

