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E-Commerce: The Future of Business

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Abstract: *Electronic Commerce, the e-age of business, is the new form of business communication which is widely gaining acceptance in business circles. There are basically three types of e-commerce B2B, B2C and C2C which is Business to Business, Business to Consumer and Consumer to Consumer. The backbone of E-Commerce is the internet. From a tiny intranet, this has grown into a behemoth. Today internet presents cheap, cost effective, information oriented, widespread, global and one of the best ways to directly interact with the consumers. A successful business example of e-commerce is the American Giant Amazon.com.*

The internet is a best example of globalization. In the B2B model the exchange is between business to business, though, this is a widely prevalent form of business – but this was the sector that was the worst hit during the dot- com bubble burst. In the business to consumer model, such as online retailers, the companies generally speaking interact directly with the customers, providing goods and services generally free of charge. It could also be a fee based service, the Computer Giant Dell could be a good example for such a type of e-commerce business model, where computers and peripherals are generally sold directly to the consumers, shipped for a minor charge to their doorstep. The Consumer to Consumer model is not strictly as the word means. Simply speaking there could always be an intermediate facilitator. Examples of this type of business include e-bay, where consumers directly log in and sell goods and services to the online market. Another example is sites such as scribd.com which directly provide e-publishing services. The novelist or writer directly opens an account with the host site paying a tiny commission for every work sold through them. The writer / publisher disinherits the old publishing model, agents and processes circumventing them to reach to the ultimate reader directly.

Any discussion further of the various examples or a detailed analysis is just too large in scope to be discussed further. EDI (Electronic Data Interchange), E-Business, CRM etc., are all further concepts which evolve directly from E-commerce. Some of these we shall look further into further into our discussion. But to put it basically in simple words would be – a better, faster way to do business – e-commerce
Key words: *E-Commerce, SAP, CRM, information and communication technologies (ICT)*

I. Introduction

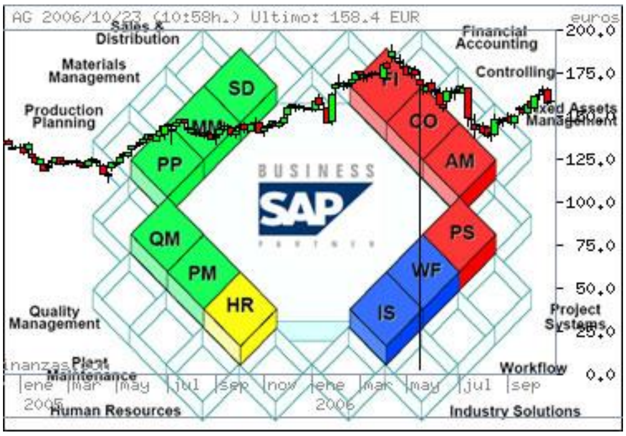
E-commerce in full means Electronic commerce. In recent usage the terms e-business or e-commerce are used interchangeably though widely. Electronic Business, commonly referred to as "e-Business" or "e-Business", may be defined as the utilization of information and communication technologies (ICT) in support of all the activities of business., commonly referred to as "e-Business" or "e-Business", may be defined as the utilization of information and communication technologies (ICT) in support of all the activities of business. When today we book an airline ticket or use internet banking to suit convenient needs we are invariably using e-commerce.

And as we keep on using and integrating more of these services to one day where we prefer to use amazon or e-bay to shop say for books rather than walk into a modern bookstore this very form of business in now becoming a way, part and parcel of not only our daily lives but intertwining interminably with our future. Such has been the advantages of these services that even in a traditional business environment of India we have embraced and enveloped this new form of electronic commerce. But to study e-commerce we need to simultaneously observe the growth of technology that has made all this possible in the first place. It began in the late 1990, when Tim Berners-Lee discovered and developed the World Wide Web. This changed the way that individual computers with no interlinking facilities, into virtual human beings capable of transacting complex business transactions. This form of commerce is marked by unique global reach, common universality of doing business.

Some common applications electronic commerce are the following: Email, enterprise content management, instant messaging, online shopping (order tracking), online banking, online office suites, domestic and international payment gateways, shopping cart software, teleconferencing, electronic tickets being some of the more commonly. Other whole new field of industries have developed in providing services, which primarily depend on providing the developing, maintenance of these very services. Developing websites, such software to run new applications, online bookstores and malls, SAP, online inventory management software have developed themselves into big businesses themselves. Consider this, SAP had revenue of $15,078 million , Amazon $19,166 million while e-bay reported sales of $8541 in 2008. Combined among them they have a combined worth of 42,000 millions. And these are just some of the millions of companies that have this business models – business models whose only frontiers are defined by imagination. Where Business locations have become meaningless.

Broadly speaking there are many forms of ecommerce – Business to Business, Business to Consumer, Business to employee, and Business to Government etc, consumer to consumer; Business to Consumer is a form where products and services are sold directly to the customer forgoing a part of the service-chain, and Business to Business is where Business directly sell products and services to businesses, and consumer to consumer is where people use the internet etc., to sells directly. Here we find service centered retailing where the onus is on providing services.

To understand e-commerce let us consider the example of SAP. SAP AG is the largest European software enterprise and the fourth largest in the world, with headquarters in Walldorf, Germany. It is best known for its SAP ERP Enterprise Resource Planning (ERP) software. SAP was founded in 1972 by five former IBM engineers. Enterprise resource planning (ERP) is a company-wide computer software system used to manage and coordinate all the resources, information, and functions of a business from shared data stores. This means that a single database would house and integrate Manufacturing, Supply chain management, Financials, Human resources, project management etc. ERP software helps coordinate sales, marketing, delivery, billing, production, inventory management, quality management etc. Thus we could have an accountant or stores manager from a single location, say in Bombay co-ordinate the entire activity of ordering, purchasing, etc., for factory or stores located at multiple places , say the works sites as diverse as Chennai, Bangalore, and Kolkata.

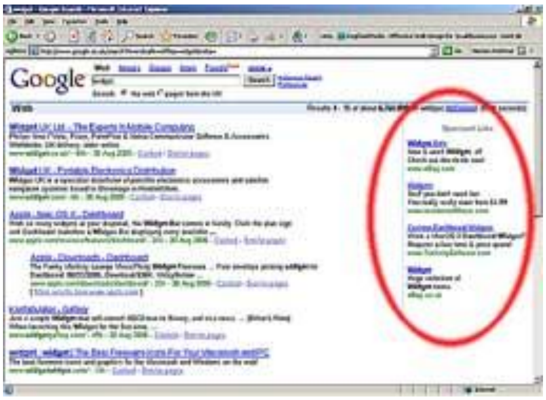


(Source: http://www.e-global.es/b2b-blog/wp-images/graficos/sap.jpg)

Traditional job searches were localized primarily. But that has changed with the advent of the internet. In olden days, the interconnectivity being limited due to geographical constraints both the employers and the job-seekers could not exploit the full potential of the opportunities that industry provided. But nowadays with job sites being internationalized, and highly localized at a level never seen before we have gained a new era in HR consulting. It would be rare nowadays to find a Human Resource consulting practices that do not leverage the powers of the internet. They have their own websites, linkages with other HR firms across the world, contacts with Job Sites. Not only have the job seekers gained, but also the employers who know have access to thousands of workforce spread all across the world. Geographical boundaries have now been transcended. Hence an employer in Australia, for instance could be hiring a well qualified accountant from India or Singapore based simply on the employee's resume that someone posted at some site, which in the early 1990's would have been deemed impossible considering the time and costs involved. The development of job sits such as seek (Australia), Monster.com, Jobs ahead, Times jobs (India) bear relevant witness to such amazing breakthroughs.

The business model of another popular site such as e-bay, and amazon is quite different. Both these hugely successful sites were both path breaking innovations both technologically and improvements in business methods which perhaps was mostly responsible for their huge successes. Primarily they reduced the supply chain bringing producers retailers and consumers in direct contact with one another drastically bringing down costs and increasing profits. In e-bay we have the customer to customer model of business where different bidders place their online bids for any first or second hand items, and the service provider of such sites draws a commission for helping make such a sale.

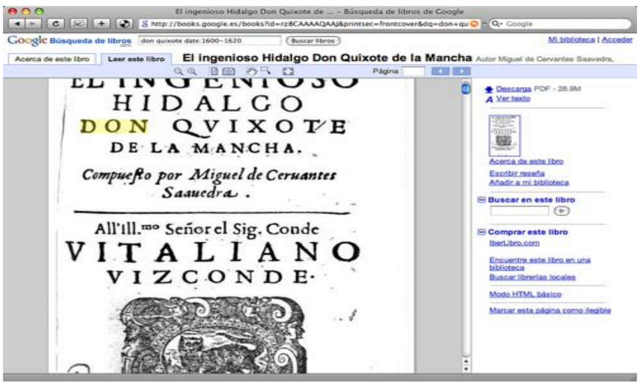
Sites such as e-bay which have a traffic running into hundreds of millions of hits advertise such a product offering to millions of people all across the globe. Such has been the success of Amazon that most modern book publishers have their own sites where they offer books considerably cheaper than what would be available in the normal markets. Not just books but electronics, consumer items, motor vehicles, yachts; any product that could be sold is sold and bought. Amazon for that matter started as a small firm established in 1995 with Jeffrey Bezos that initially dealt with books but soon diversified into electronics, music retailing, furniture, food etc. Perhaps it is the high amount of customer satisfaction, and efficiency in business techniques that bear testimony to this achievement – the fact that by 2007 revenues of Amazon had touched $10.7 billion. For instance it sells music directly from the Big Four music sellers – EMI, Universal, Sony BMG, and Warner Brothers Records.



(Source : www.dogfoodmedia.co.uk/google_adwords_ppc_management.html)

No amount of our understanding of ecommerce can be complete with a study of the Internet Monster Google. Founded initially as a search engine to navigate the web, it developed its own business model - Google Ad Words - which is no surprise is the chief source of revenue for Google - $16.4 billion in 2007. Functioning the need for advertising for modern business success Ad Words placed a few text advertisements beside the search results. The advertisers pay as per the pay per click advertising model where Advertisers pay a small amount to the search engine only when their advertisement is clicked. In recent times with the advent of multimedia features we have banner ads. Though in these domains Intellectual Property Rights have proved more troublesome.

Consider that Google when it launched Google books faced several immense lawsuits from the Authors Guild of America and the Association of American Publishers citing copyright infringement. Such lawsuits have now become more mild, and out of court settlement where the Authors Guild settled for a total of $125 million from Google. Nowadays e-books are purchased and sold as freely on the internet as they are at bookstores.



(source : http://www.flickr.com/photos/acebal/)

In Financial services we have several improvements in the fields of personal banking, automatic teller machines, and other related services such as stock broking, mutual fund trading. The development of such sites such as Share khan, Angel Broking, Religare which use the internet as the customer interaction interface from where a small amount is charged for services provided. In fact this is predominantly the backbone of e-commerce, where services are rendered for a fee which then forms the principal or a significant portion of the revenue. Banking too has gone electronic with almost negligent paper work. Not only has this enabled in providing better service to the customer leading to benchmark customer satisfaction but also saved significant costs which otherwise would have to be treated as direct costs, and thereby influencing the factory cost and cost of production which has been drastically reduced. Consequently, a large number of customers are being simultaneously being serviced which would probably have been impossible a few years back.

Indeed sometimes every great breakthrough has had some disastrous consequences such as spitting of the atom which has led to nuclear war. Ecommerce too has suffered this deficiency bringing with it a vast age of piracy has already begun.

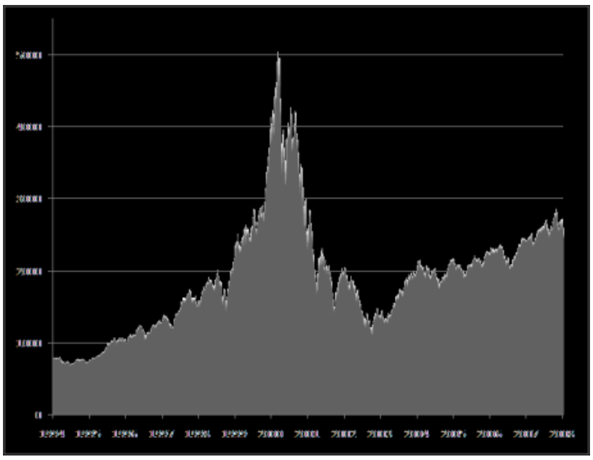
It was at their peak that such sites as Morpheus had become themselves huge attractions where Users could actively download the latest music from someone else, or watch the latest movie which had resulted in a courtroom war where the music industry prevailed and these sites shut down. But again there are sites like file deposit, rapid share, which provide file transfer facilities absolutely free of cost. These websites charge a small fee for additional services which can be requested and paid for by the click of a card. The transfer of money to the company adds revenue which could run into tens and hundreds of millions of dollars that a few computer geeks could set up with some lines of computer code, and storage facilities. The future of this area of ecommerce is as murky as unpredictable. Hundreds of such sites flourish freely. Many of these sites too charge advertisers directly or indirectly with most of them using the pay per click model of revenue.

Though such sites have been more the exception than the norm using the cover of lack of control of what is uploaded to their servers as excuse for bypassing copyright laws. It is a time of despair for music artists, record labels, and publishers with their material being actively and aggressively marketed. Thus we could have the latest Joanna Rowling almost a few hours after the release of the book online or the latest Billboard Countdown Hits free without having to part with a penny.

With the passage of the No Electronic Theft Act (NET Act), US copyright law was changed to allow for the civil and criminal prosecution of persons allegedly engaged in copying of copyrighted works without permission. In addition, under this US law, members of software piracy groups could also be prosecuted for participation in a criminal enterprise that is that such infringers would not old be prosecuted civilly but also criminally. The NET Act is one such act implemented worldwide to combat the threat of internet piracy.

But there have also been rainy days for this internet bubble referred to as Dot-Com Bubble which led to thousands of companies crashing. This peaked around the period of 1995-2001.

The technology-heavy NASDAQ Composite index peaked at 5,048 in March 2000, reflecting the high point of the dot-com bubble. The primary cause was the siliconvalley inspired gold rush which venture capitalists extended to the dot coms. Here they invested huge sums, the valuations of these companies increased dramatically though these companies were not even traditional internet service providers. The collapse was pretty much self created, and after the dot-com-bubble, in Darwin’s words, only the fittest survived.



What Tim Berners Lee did with the invention of the World Wide Web can be compared with what Ford did to the production of automobiles with the invention of the assembly line. In the cut throat world of business, this very edge has lead to the huge success of ecommerce and what it has become now. The future itself is wide, and filled with opportunity with BPO models combining the powers of the ecommerce and e-business models to harness the market potential.

Conditions that led to the development of Internet's Business use, began with the instant success of internet companies in the nascent age of business. Before that Fax used to be the established means of communication which could be used as an instant means of communication. Nowadays Internet has widely replaced that. We could transact contracts, accept business proposals, file tenders, and use almost all varieties of bank transactions all within the safety of the homes. This inadvertently led to many companies offering security services for millions of users with the geographic background that spans the entire planet, companies such as McAfee, Symantec, Kaspersky, Norton, and PC Tools. Secondly it leads to generation of Spam. More spam meant more security. More security need leading to more money being spent on upgrading defenses though Spam is such a vast unorganized criminal market that it merits no discussion, much less even as a business model.

The encouragement of grapevine, with the use of internet news reports, discussion threads etc., is intrinsic to communication which is a dual-edged sword. Simple, angry customers, angry anonymous employees screaming blood on the internet could do…but on the brighter side it functions excellently for a small business desperately in need of adequate goodwill. Surveys have pointed out time and again the need for good websites, financial data, and pages on corporate governance, and ethics on their sites enabling the consumers – whether at a micro or macro level thus helping them to make concrete judgments which results in greater profit, and long term growth which is a primary objective for the business. Another such feature is ethics.

E-commerce is well with the use of internets, intranets (networks within corporations), extranets which has extended over the accessibility of internet over wide networks. E-commerce is not a single technology as such but as such it represents the entire gamut of nearly the whole internet. These online systems efficiently facilitate the business flow.

But no amount of discussion would be complete without a discussion about the internet giant Microsoft and Google. With the advent of Google began the concept of click advertising and other revenue sharing models with advertising as their prime concern. They presented efficient models of harnessing the power of search, an intangible need of consumers. simple. Customers log into the internet. They need to search for the specific websites. And by serving customers, they present ads, suggestions etc., at the back of which might be companies looking to get targeting advertising. In order to enhance this feature Microsoft which is looking to break the Google dominance by taking over Yahoo. Though the previous bid failed, this time another bid by Microsoft is doing the rounds with the legendary investor Carl I can backing this bid. Not only is his reputation unquestionable but also he holds a major share as an individual investor in Yahoo. But perhaps this battle between these giants has created and maybe will create a greater era of competitiveness with two giants among the internet dominance market. Both these companies have realized their need to get dominance over the others to prosper in the future

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