Introduction

E-Commerce Applications

- What is E-Commerce?
- What is the difference between E-Commerce and E-Business?
- How does EC differ from a normal ‘high street’ store/business?
- What are your experiences of EC? Good/Bad?

E-Commerce vs. E-Business

- **E-Commerce**: The process of buying, selling, or exchanging products, services, or information over computer networks.
- **E-Business**: A broader definition of E-Commerce that includes not just the buying and selling of goods and services, but also servicing customers, collaborating with business partners, and conducting electronic transactions within an organization.
- Terms often used ‘interchangeably’.


E-Commerce: What is it?

- E-Commerce: Buying and selling of goods and services over the Internet.

E-Commerce: What is it?

- E-Commerce: Buying and selling of goods and services over the Internet.
Forms of E-Commerce

- Different Forms of EC, depending on degree of digitisation of:
  - Product or service (physical or digital)
  - Process involved (ordering, payment, delivery)

- Two main forms of EC, pure or partial:
  - Pure: product, ordering, payment and delivery are all digital, e.g. music (mp3) or book (PDF) downloads. Online banking, bill payment.
  - Partial: at least one part of the transaction is digital, e.g. shopping online/buying groceries. Product selection, ordering and payment process is digital, but delivery is physical.

Classifications of E-Commerce

Different types of EC, depending on nature of transactions and parties involved:

- Business-to-Business (B2B): involves transactions between businesses or other organisations.
- Business-to-Consumer (B2C): involves businesses selling products or services to individual customers.
- Consumer-to-Consumer (C2C): involves individual consumers selling things to other individual customers, e.g. ebay, amazon market.
- Consumer-to-Business (C2B): involves individual consumers selling things to businesses, e.g. freelance training, services.

Market places - Traditional

Where buyers and sellers meet there is an opportunity for an online market place

Business to Consumer (B2C)

Business to Business (B2B)

Online Market Places

Where buyers and sellers meet there is an opportunity for an online market place

Business to Consumer (B2C)

Business to Business (B2B)
Disintermediation: Online Market Places

Disintermediation: removal of intermediaries in supply chain: ‘cutting out the middleman’

Manufacture

Wholesale

Value added resell

Retail

Business to Consumer (B2C)

Business to Business (B2B)

Customer

Market Place

Market Place

Market Place

Market Place

Market Place

http://tutor2u.net/ebusiness/business-strategy-business-models.html

Different types of organisation:

- **Brick-and-Mortar**: organisations that have physical stores in which they sell or provides services.
- **Click-and-Mortar**: organisations that sell products and services online as well as via a physical store.

Easiest and quickest way to sell online way is to use ‘marketplace’ such as eBay

For example, eBay brings buyers and sellers together to conduct deals (via online auctions, or pay now options).

- Both the seller and the buyer need to register with eBay. Also need to create PayPal account.
- Seller pays a fixed fee to the online site/auction house to sell their products.
- Buyer doesn’t pay any fee.

Consumer-to-Consumer (C2C) - eBay

- **Consumer-to-Consumer (C2C)**: involves individual consumers selling things to other consumers.
- For example, eBay brings buyers and sellers together to conduct deals (via online auctions, or pay now options).
  - Both the seller and the buyer need to register with eBay. Also need to create PayPal account.
  - Seller pays a fixed fee to the online site/auction house to sell their products.
  - Buyer doesn’t pay any fee.
- Easiest and quickest way to sell online way is to use ‘marketplace’ such as eBay
- See How eBay works: [http://computer.howstuffworks.com/ebay.htm](http://computer.howstuffworks.com/ebay.htm)

eBay is The World’s Online Marketplace®, enabling trade on a local, national and international basis. With a diverse and passionate community of individuals and small businesses, eBay offers an online platform where millions of items are traded each day: [http://pages.ebay.co.uk/about.ebay.htm](http://pages.ebay.co.uk/about.ebay.htm)
Starting an eBay business

EXERCISE:
1. Working in pairs...
2. What do you need to do to start selling on eBay?
3. Map out the process.
4. How easy is it?
5. What do you need to do to create an eBay store?

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E-Commerce: How it Works

1. Review How E-commerce Works:
   http://communication.howstuffworks.com/ecommerce.htm
2. Think about the basic process involved:
   - Find product or service
   - Read information, compare prices
   - Select product
   - Add to basket
   - Purchase
   - Delivery
3. Review the example sites - how easy is it?

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E-Commerce: Example sites

- www.asos.com
- www.amazon.com*
- www.hmv.com
- www.asda.com
- www.justgiving.com
- www.moneysupermarket.com
- www.lloydstsb.com
- www.flickr.com
- www.bbk.ac.uk
- www.hillingdon.gov.uk

EXERCISE:
1. Working in pairs, review at least 4 of the sites opposite and identify:
2. Five Strengths/Positives?
3. Five Weaknesses/Negatives?
4. Does anything stand out?

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www.asos.com

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Historical Context: EC is Not New

Electronic Commerce is not new:

- **EFT (Electronic Funds Transfer)**
  The electronic transfer of funds between organisations (1970s)

- **EDI (Electronic Data Interchange)**
  The electronic transfer of standard business documents, such as bills, orders and confirmations, between business partners.
  [http://www.edibasics.co.uk/index.htm](http://www.edibasics.co.uk/index.htm)

- **SET Protocol (Secure Electronic Transaction)**
  A standard protocol for securing credit card transactions over insecure networks, specifically, the Internet.
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E-Business Evolution

E-Business Evolution 2009

- PricewaterhouseCoopers, J.P. Morgan, John Lewis Direct, Linden Lab (Second Life) and Cancer Research UK teamed up with Echo E-Business, to examine the evolution and future of business on the web.
- ‘White paper’ features articles written by senior figures in finance, professional services, retail, charity and technology, as well as independent analysis from Echo E-Business. It explores the future of e-business and how it will help companies survive the recession.


Context: Why E-Commerce?

UK online sales rose 25% to £408bn in 2009:
- Up almost 25% on 2008 and represented 16.7% of all sales outside the financial sector.
- Sales from websites rose 23.6% to £115bn, while the value of non-web online transactions (e.g. EDI) reached £293bn, equivalent to 12% of all non-financial sales.

(Source: ONS: http://www.statistics.gov.uk/pdfdir/ecom1110.pdf)

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Context: Why E-Commerce?

Survey of E-Commerce & ICT activity in 2009:
- 91% of companies had internet access and 88% connected through a broadband link.
- Although 76% of companies with more than 10 staff had a website, only 14.9% sold goods through it.
- Almost 52% of companies (2008: 33%) used online networks to buy goods and services worth £466.3bn.
- Two-thirds of public authorities and over 90% of large enterprises used the internet to interact with people.
- Only 29% of businesses had a formal IT security policy that was reviewed regularly.

(Source: ONS: http://www.statistics.gov.uk/pdfdir/ecom1110.pdf)

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**Context: Why E-Commerce?**

From a small business perspective:
- Potentially a **global market**. Internet doesn’t differentiate between large and small organisations.
- **Low start-up costs**:
  - Presence: Can operate from home, no requirement for shop, office, etc.
  - Technology: Server hosting, shopping cart, payment system.
- **Opening Hours**: 24/7, depending on nature of product/service offered.
- **Scale**: start small and scaled to meet demand or suit the business.
- **Testing**: able to gauge demand for different products/services – linked to marketing effort.

**Your Task**

- To identify an opportunity for a new EC business.
- Remember: anyone can start an online business and get it up and running quickly and cheaply, so:
  - Potential competitors are unlimited.
  - Need to research your idea.
  - Ensure it is designed and developed effectively.
- Remainder of module will examine how to do this.
- Need an **IDEA**!
- To help us in this process, let’s:
  1. Deconstruct the experience of being an online customer, and think about how we might carry out a competitor analysis.
  2. Consider what organisations are? Why do they exist? Purpose? Activities?

**What are Organisations?**

- Series of activities to produce goods or services and sell to the customer:
  - Product or Service.
  - Inventory.
  - Fulfilment.
  - Customer Service.
  - Marketing.
  - Payment.
  - Measuring success.
Organisations – Business Processes

- All organisations exist to produce goods or services, e.g. supermarkets, breweries, universities, hospitals, etc.
- All organisations are made up of a series of activities (or business processes) that are performed to design, produce, market, deliver and support its products or services.

Factors of Production - Traditional Economic View

Factors of Production

- Land
- Labour
- Capital
- Entrepreneurship
- Production of Goods and Services
- CUSTOMERS

Organisations - Factors of Production

Business Processes - Porter’s Value Chain

- Michael Porter suggests that ‘competitive advantage’ grows out of the ‘value’ an organisation is able to create for its customers.
- Considers organisations to be made up of two types of activities:
  - Primary activities.
  - Support activities
- True whether organisations are large or small:
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Porter’s Value Chain

<table>
<thead>
<tr>
<th>Support Activities</th>
<th>Primary Activities</th>
<th>Support Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology development</td>
<td>Procurement</td>
<td>Employee management</td>
</tr>
<tr>
<td>Procurement</td>
<td>Inbound logistics</td>
<td>Firm’s infrastructure</td>
</tr>
<tr>
<td>Operations</td>
<td>Outbound logistics</td>
<td></td>
</tr>
<tr>
<td>Marketing and sales</td>
<td>After sales service</td>
<td></td>
</tr>
</tbody>
</table>

Business Drivers

- Sales of Products or Services = Profit Motive!  
  \[ \text{Profit} = \text{Sales Income} - \text{Cost of Sales} \]
- Sales = Demand Side (Market, Customers)
- Costs = Supply Side (Producer, Suppliers)
- Breakeven when sales just cover costs
- Included in finance part of business plan

See:  
http://www.businesslink.gov.uk/ (the official government website for businesses of all sizes)
http://www.bized.co.uk/education/level2/financialactivity/breakeven21.htm

Drivers of Profitability

\[ \text{Margin} = \text{Value} - \text{Costs} \]
\[ \text{Profit Margin} = \frac{\text{Total Revenue}}{\text{Total Costs}} \]
\[ \text{Profit} = \text{Sales} - \text{Cost of Sales} \]

E-Commerce: Similarities

- Business objectives
- Systems Integration
- New clients and revenues
- Saving money, reducing overheads and increasing efficiency
- End to end customer care
- Payment systems
- Quality of customer information (database)
- Fulfilment system and stock database
- Logistics
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**E-Commerce: Differences**

- Disintermediation
- Personalisation
- Bundling
- Automation
- Value-added
- Discounts/loyalty schemes
- Flexible store fronts
- Membership
- More choice

**Your Task – To Develop an E-Shop**

- E-Commerce: Buying and selling of goods and services over the Internet.

**Operational Excellence**

- Transformation of critical processes, product features, ease of use
- Key issues:
  - What % of orders clean?
  - Are we reducing returns and credits from customers?
  - What % of customer problems resolved on 1st contact?
  - How much customer information is visible (one screen).
  - Is inventory visibility increasing across the supply chain?
- Creating new forms of customer value:
  - Increase in market share and gross margin
  - Increase in new customer acquisition
  - Better retention of customers

**Example of Early Mover**

Traditional Book Shop Value Chain

- Author → Publisher → Distributor → Bookshop → Customer
AMAZON – An Example of an Early Mover

- Record of previous transactions: purchases, credit card info, shipping info
- Targeted selling on entry
- 1 click for subsequent orders
- Account maintenance
- Imaginative credits
- Customer reviews
- Value added services

Your Task – Develop an Online Business

- Identify an opportunity – IDEAS!
- As part of this module, develop:
  - A Summary Business Plan
  - Prototype website: Home Page, building on XHTML/CSS skills
  - Prototype e-shop: Shopcreator
- Use prototype website/e-shop to explore other aspects, e.g. marketing and promotion, SEO, web analytics, payment process, etc.
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**http://www.shopcreator.com/**

FREE online shop

Build a free e-commerce solution with Shopcreator’s Transact Software.

1. Create your free shop
2. Customise your free shop
3. Start making money

Free online shops created with Shopcreator’s Transact software.

Highland Legal
Lea La Vant Poetry
The Bed Factory

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**http://www.hi-techbargains.com/**

E-Commerce – Benefits of Planning

Strategic planning and the right approach can:

- Launch the company image.
- Attract and retain customers, via better customer information (low cost of capture).
- Increase efficiency and cut costs (and improve profit margins).
- Improve communication with suppliers and reduce time to market.
- Provide opportunity for ‘targeted’ special offers and promotions.
- Cut transaction costs.

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**http://www.tinytotshop.co.uk/**

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E-Commerce: Planning your Business

Planning your Business:
1. What will you sell? Product or service?
2. What is your market? Local? Global? Consumers or Businesses? How will it appeal?
4. What image do you want to project? Appearance?
6. Suppliers? Source of products?
7. Legal Issues: licensing, copyright, Insurance and liability?

E-Commerce: Defining your Market

What is your Target Market:
1. What is your Market? Broad? Niche?
2. Who are your Customers? Professional? Tourists? Young Adults? Parents/children?
3. What influences their buying decisions?
4. Why will they buy from you?
5. What is special about your business? Strengths? Competences? Uniqueness?

How will you differentiate your product or service:
1. Quality?
2. Price?
3. Level of Service?
4. Value for money?
5. Reliability/Consistency?
6. Convenience?
7. Customisation?
8. Specialisation?
9. Range of products?
10. Other criteria? Your experience?

E-Commerce: Choosing a Name

Choosing a name for your Business:
1. Try to keep the name simple and descriptive, don’t confuse the customer!
2. Make the name distinctive.
3. Avoid humorous names – dangerous!
4. Brainstorm and generate a list of ideas based around your theme/business concept.
5. Needs to reflect your vision for the business.
6. Get feedback on your idea… friends, colleagues.
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Get the right website for your business

Use the Business Link interactive tool to investigate what kind of website is best for your business

http://www.businesslink.gov.uk/bdotg/action/layer?lang=en&r.l1=1073611978&r.s=tl&topicId=1074453672&r.l1=1073611978&r.s=tl&topicId=1074453672

E-Commerce: Benefits

- Virtual expansion is less costly than physical
- Easier publishing of detailed product information:
  - GM food information, health and diet tips, menu planning, special nutritional support
- Opportunity to diversify:
  - Tesco sells CDs, videos, books and DVDs
- Partnership opportunities:
  - Organic foods, shop at work

E-Commerce: Business Risks

Integration Chasm

- Web orders and payment details
- Customer details
- Customer enquiries
- Order Management System
- Payments and Accounts System
- Fulfilment and Distribution System

WEB SYSTEM

BACK-END BUSINESS SYSTEM

E-Commerce: Barriers

Business issues, NOT technology problems:

- Limited range of products
- Prices not competitive
- Difficult to navigate
- Not enough information to buy
- No receipt or confirmation report
- Files too large – download problems
- Products out of stock
- Not delivered on time
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E-Commerce: Key Issues

• There is no total solution
• E-commerce is constantly evolving, organic, in the process of becoming
• There is a real frontier for explorers
• Analysis is the key
• Pay attention to the details
• Remember the customer is king!

EC and SMALL BUSINESS GUIDES

Useful links re. setting up an EC business:

• http://www.businesslink.gov.uk/
• http://www.businesslink.gov.uk/bdotg/action/layer?lang=en&r.topicId=1073861197
• http://www.businesslink.gov.uk/bdotg/action/layer?lang=en&r.topicId=1073861197&t=1073861197
• http://www.businesslink.gov.uk/bdotg/action/contentBankByTheme?bank=CASE_STUDIES&lang=en&rt=1073861197&theme=itandecommerce&topicId=1073861197
• http://www.startupbusiness.co.uk/
• http://www.bytestart.co.uk/
• http://www.spear-bournemouth.co.uk/pdf_files/dtibestpracticeebusiness.pdf
• http://www.entrepreneur.com/ebusiness/index.html
• http://www.davidhunt.co.uk/2007/03/14/starting-an-e-business-a-beginners-guide/
• http://www.va-interactive.com/inbusiness/editorial/zbiztech/it/ecommerc.html