



Chapter Three

Key Applications of eCommerce

Objectives

In this lesson, you will learn about:

- ✦ Business-to-Business eCommerce
- ✦ Business-to-Consumer eCommerce
- ✦ Intra-Company (Enterprise) eCommerce

These three strategic focal points for eCommerce will be discussed and you will need to determine which of the three can gain the greatest competitive advantage as a starting point for your programs. You will learn more about each one of these:

1. Business-to-business
2. Business-to-consumer
3. Intra-company

Business-to-Business eCommerce

The Internet can connect all businesses to each other, regardless of their location or position in the supply chain. This ability presents a huge threat to traditional intermediaries like wholesalers and brokers. Internet connections facilitate businesses' ability to bargain directly with a range of suppliers -- thereby eliminating the need for such intermediaries.

There are, however, tremendous opportunities as well as threats for companies regardless of their position in the supply chain. They include:

Providing Information. McKesson is shifting from its position as a drug distribution business to a new position of value added provider in the health care industry. Its product is information, not drugs. By exploiting its massive database of information on sales and units for pharmacies, that information package is provided to improve the financial performance of pharmacies.



Purchasing and Selling. General Electric's Trading Process Network allows suppliers to download GE's request for proposals, view part specification diagrams, and communicate with General Electric to complete the transaction. GE is expanding this network to help other companies buy and sell from each other and is investigating a transaction fee business model.

Moving to an Internet platform. Banks, like Bank of America and Wells Fargo, are conducting trials to investigate whether EDI functions for business-to-business transactions can be moved to the lower cost Internet platform.

Supplying extranet services. Companies with established intranet systems are beginning to provide subsets of their intranets to strategic customers; partners; or trading partners – such as General Electric's Trading Process Network. Federal Express is leveraging its existing infrastructure for rapid package delivery to provide web-based complete order fulfillment services to businesses.

Business-to-Consumer eCommerce

In the introduction today, you've seen the impressive statistics about the number and affluence of the Internet consumer market. Companies are rushing to take advantage of this market. As we reviewed the evolution in the introduction today, the kinds of business-to-consumer services delivered over the Internet are shifting:

One-way marketing. Corporate web sites are still prominent distribution mechanisms for corporate brochures, the push, one-way marketing strategy.

Purchasing over the Web. Availability of secure web transactions is enabling companies to allow consumers to purchase products directly over the web. Electronic catalogs and virtual malls are becoming commonplace.

Relationship Marketing. The most prominent of these new paradigms is that of relationship marketing. Because consumer actions can be tracked on the web, companies are experimenting with this commerce methodology as a tool for market research and relationship marketing:

- Consumer survey forms on the web
- Using web tracking and other technology to make inferences about consumer buying profiles.
- Customizing products and services
- Achieving customer satisfaction and building long-term relationships

An early example of a company that has leveraged the power of Internet interactivity to revolutionize customer relationships is Firefly. Firefly has created its products through web tracking technology. What would have been a conventional audio and video distribution company is now literally creating a custom product for each of its customers, based on the customer's profile and buying behavior.

Intra-Company eCommerce

The new tools of eCommerce, such as TCP/IP connectivity and web browsers, have finally enabled the building, sharing and use of information within companies. Intra-company applications of web-based technology are called intranets.



Companies are embracing intranets at a phenomenal growth rate because they achieve the following benefits:

Reducing cost - lowers print-intensive production processes, such as employee handbooks, phone books, and policies and procedures

Enhancing communications - effective communication and training of employees using web browsers builds a sense of belonging and community.

Distributing software - upgrades and new software can be directly distributed over the web to employees.

Sharing intellectual property - provides a platform for sharing expertise and ideas as well as creating and updating content - "Knowledge webs" . This is common in organizations that value their intellectual capital as their competitive advantage.

Testing products - allows experimentation for applications that will be provided to customers on the external web.

Case Studies

As we go into more detail on each of the above focal areas, we'll use some case studies to help illuminate some of the issues and successes of eCommerce.

Lesson Summary

In this lesson, you have learned about the three major foci of eCommerce applications. They are:

- Business-to-business
- Business-to-consumer
- Intra-business

Something to think about

So far, you have reviewed the three major areas of opportunity that your own business can exploit. Do you have the most to gain by beginning or strengthening your eCommerce strategy for your business partners; direct to consumers; or within your company? If you've begun an intranet, how can you begin to leverage your content and value-added services to provide benefit to strategic partners outside your organization?