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E-BUSINESS MODELS IN THE RECENT SCENARIO

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Introduction

Shopping online is an increasingly popular activity. At the close of 1999, nearly 55 million people, 60 percent of Internet users, were shopping online.¹ The move toward e-commerce presents many benefits, as well as a host of new considerations. The storefront model is what many people think of when they hear the word e-business. The storefront combines transaction processing, security, online payment and information storage to enable merchants to sell their products on the Web. This is a basic form of e-commerce where the buyer and the seller interact directly. To conduct storefront e-commerce, merchants need to organize an online catalog of products, take orders through their Web sites, accept payments in a secure environment, send merchandise to customers and manage customer data (such as customer profiles). They must also market their sites to potential customers. Although the term e-commerce is fairly new, large corporations have been conducting e-commerce for decades by networking their systems with those of business partners and clients. For example, the banking industry uses Electronic Funds Transfer (EFT) to transfer money between accounts. Many companies also use Electronic Data Interchange (EDI), in which business forms, such as purchase orders and invoices, are standardized so that companies can share information with customers, vendors and business partners electronically. Until recently, e-commerce was feasible only for large companies. However, the Internet and the World Wide Web make it possible for small businesses to compete with large companies. E-commerce also allows companies to conduct business 24-by-7, all day, everyday, worldwide. Some of the most successful e-businesses are using the storefront model. Many of the leading storefront model companies are B2C (business-to-consumer) companies. For example, More.com (www.more.com) is a health and beauty e-commerce site that uses a shopping cart to allow customers to shop, buy and arrange shipment. Products include skin care, eye care, pharmaceuticals and many other products associated with health and wellness. Ticketmaster.com (www.ticketmaster.com) uses the Internet to sell tickets improve its customer service. Customers have access to seating plans, show listings and price discounts. Ticketmaster uses shopping-cart technology, an advanced database system and a strong supporting infrastructure to make this possible. Although both companies use a shopping cart and supporting technologies to offer their products and services to customers, each has chosen a different approach to e-commerce.

Shopping-cart Technology

One of the most commonly used e-commerce enablers is the shopping cart. This order-processing technology allows customers to accumulate items they wish to buy as they continue to shop. Supporting the shopping cart is a product catalog, which is hosted on the merchant server in the form of a database. The merchant server is the data storage and management system employed by the merchant. A database is a part of the merchant server designed to store and report on large amounts of information. For example, a database for an online clothing retailer would typically include such product specifications as item description, size, availability, shipping information, stock levels and on-order information. Databases also store customer information, such as names, addresses, credit-card information and past purchases. The Amazon.com feature explains the these technologies and how they are implemented. Although the shopping cart is only one method of conducting transactions online, it is an effective way of buying and selling products on the Internet. Many companies combine a number of purchasing methods to give their customers a wide array of options. . While shopping-cart technology offers consumers the convenience of quick and easy transactions, it creates problems regarding consumer privacy and online security.



Online Shopping Malls

Online shopping malls present consumers with a wide selection of products and services. They are often considered to be more convenient than searching and shopping at independent online storefronts for several reasons. Consumers can search and shop for a variety of products, and rather than making several separate purchases, they can use the mall's shopping-cart technology to purchase items from many stores in a single transaction. Often these sites act as shopping portals, directing traffic to the leading shopping retailers for a specific product. Leading online malls include Mall.com (www.mall.com), which features many of the same vendors you will find in your local brick-and mortar mall—offline retailers such as JCrew, Harrods, and the Sharper Image. Shopnow.com, www.shopnow.com and www.DealShop.com are other online malls offering a wide variety of shopping options.

Auction Model

Forrester Research reveals that an estimated \$3.8 billion will be spent on online person-to-person auctions in the year 2000 alone. This number is dwarfed by the \$52 billion that is projected to be spent on business-to-business auctions in 2002.⁴ The Web offers many different kinds of auction sites, in addition to sites designed to search existing auction sites in order to pinpoint the lowest prices on an available item. Usually, auction sites act as forums through which Internet users can log-on and assume the role of either bidder or seller. As a seller, you are able to post an item you wish to sell, the minimum price you require to sell your item and a deadline to close the auction. Some sites allow you to add features, such as a photograph or a description of the item's condition. As a bidder, you may search the site for availability of the item you are seeking, view the current bidding activity and place a bid (bids are usually in designated increments). Some sites allow you to submit a maximum bidding price and will continue bidding for you. Auction technology will be explained in depth in the eBay feature. The reverse auction model allows the buyer to set a price as sellers compete to match or even beat it. One example of a reverse auction site is Liquidprice.com which processes your auction within two days. A faster option is available when the buyer sets a reserve price. A reserve price is the lowest price that the seller will accept in any type of auction. Sellers can set the reserve price higher than the minimum bid. If no bid meets the reserve price, the auction is unsuccessful. If a seller sets a reserve price at Liquidprice.com, the seller will receive a series of bids within six hours of their initial post.

However, if a successful bid is made, the buyer and seller must commit. Although auction sites usually require a commission on sales, these sites are only a forum for online buying and selling. They do not involve themselves in payment or delivery. After the auction has been completed, both the seller and the bidder are notified, and the method of payment and the cost of delivery is then worked out between the two parties.

Portal Model

Portal sites give visitors the chance to find almost everything they are looking for in one place. They often offer news, sports and weather, as well as the ability to search the Web. When most people hear the word portal they think of search engines. Search engines are horizontal portals, or portals that aggregate information on a broad range of topics. Other portals are more specific, offering a great deal of information pertaining to a single area of interest.—these are called vertical portals. Online shopping is a popular addition to the major portals. Sites such as Hotbot.com, About.com, altavista.com and Yahoo.com provide users with a shopping page that links them to thousands of sites carrying a variety of products. Portals linking consumers to online merchants, online shopping malls and auction sites provide several advantages. See the feature on Yahoo! for a better example of a shopping portal. Portals help users collect information on the item for which they are looking and allow users to browse independently owned storefronts, unlike some online shopping malls. Yahoo! permits users to browse a variety of sites while maintaining the convenience of paying through their Yahoo! account.



About.com offers its users an individualized experience through GuideSite, a service that acts as a personal shopper for the user. About.com's "guides", each specializing in a particular product type, continually update the Web site and are accessible via e-mail for consumer comments. Consumers must be savvy when using portals to do their online shopping. Each portal structures its online shopping experience a little differently. Some portals charge merchants for a link, others do not. For example, GoTo.com bills merchants per consumer "click-through." The more a business is willing to pay for each consumer "click," the higher that business will appear in GoTo.com's ranks. Because charging merchants may limit the options available to customers, this may not be the best method.⁸ Other sites, About.com and altavista.com for example, do not charge merchants to appear in some locations on their sites (About.com's GuideSite and Altavista.com's Shopping and Services Categories) but reserve the best areas of the site for paying customers.

Vertical Portals and Community Sites

Vertical portals offer a large amount of information in one subject area and are often described as community sites (see AOL feature). Community sites for an enormous number of special interest groups can be found online. Community sites create customer loyalty by allowing visitors to contribute to the sites, chat with friends and find information specifically targeted to them. Vertical portals tend to attract repeat visitors.

Many portal sites provide information pertaining to professional fields such as medicine and law. As a medical community site, Healthon WebMD (www.webmd.com) offers a repository of documentation relating to the medical field. WebMD can also help you find doctors and medical professionals. Physicians can become members of WebMD; joining the specialized practice portal allows them to keep up-to-date with medical announcements, read the latest medical journals and communicate with other members of the medical community. Medscape (www.medscape.com) and Dr. Koop (www.drkoop.com) also offer medical-portal sites. There are many legal portals on the Web. The services provided by LEXIS (www.lexis.com) and its partner site NEXIS (www.nexis.com) are fee-based and usually purchased on a licence basis by law firms. LEXIS provides access to case and other legal data, as well as relevant news articles. Lexis speeds up the research process for people within the legal profession.

Other types of online communities center themselves around a particular demographic. Bolt.com is an online teen community that offers chat forums, message boards, polls and shopping. Bolt promotes longer visits by giving visitors free access to content targeted to teens and a chance to communicate with others in the same age group. IVillage.com is a portal site for women. News and information on women's health, hobbies and general interest are available for free. Message boards are available for women who need questions answered or who would like to speak out on a given issue. iEmily.com (www.iemily.com) is a similar site designed for teenage women. Internet.com is a portal site for the Internet and e-commerce. The latest news is offered along with links and a search option. Internet.com is loaded with content. All of the news articles are available free. Epinions (www.epinions.com) gives visitors a chance to speak out on their hobbies, politics, favorite media, etc. Members are paid a few cents for each opinion they post. Epinions is a good place to find out real opinions on products and services you are considering. Some members have written hundreds of reviews on everything from film to automobiles.

Dynamic Pricing Models

The Web has changed the way business is done and the way products are priced. Companies such as Priceline (www.priceline.com) and Imandi (www.imandi.com) have enabled customers to name their prices for travel, homes, automobiles and consumer goods.

In the past, bargain hunters had to search out deals by visiting numerous local retailers and wholesalers. Today, a few mouse clicks is all you need to find the lowest price available. Buying in bulk has always driven prices down, and there are now Web sites that allow you to lower the price by joining with other buyers to purchase products in large quantities. Another pricing strategy used by many e-businesses is to



offer products and services for free. By forming strategic partnerships and selling advertising ("Internet Marketing") many companies are able to offer their products at a greatly reduced rate and often for free. Bartering and offering rebates are other ways companies are keeping prices down on the Internet.

Name-Your-Price Model

The name-your-price business model empowers customers by allowing them to choose their price for products and services (See the Priceline.com feature). Many of the businesses that offer this service have formed partnerships with leaders of industries such as travel, lending, retail etc. These industry leaders receive the customer's desired price from the intermediary and decide whether or not to sell the product or service.

Comparison Pricing Model

The comparison pricing model allows customers to poll a variety of merchants and find a desired product or service at the lowest price (See the Bottomdollar.com feature). These sites often get their revenue from partnerships with particular merchants. Thus, you need to be careful when using these services, because you may not necessarily be getting the best price available on the entire Web. Other similar sites search the most popular stores on the Internet, trying to appeal to the largest audience.

Demand-Sensitive Pricing Model

The Web has enabled customers to demand better, faster service at cheaper prices. It has also empowered buyers to shop in large groups to achieve a group rate. The concept behind the demand-sensitive-pricing business model is that the more people who buy a product in a single purchase, the lower the cost-per-person becomes.

Selling products individually can be expensive because the vendor must price a product so that it covers selling and overhead cost while still generating a profit. When customers buy in bulk, this cost is shared and the profit margin is increased. Mercata (www.mercata.com) sells products using this business model for the home, electronics, computers, and peripherals among many other things. Customers become loyal to Mercata for helping them save money. MobShop (www.mobshop.com) offers comparable services. Because pricing and products do vary between these and other similar sites, so you may want to visit several such sites before making a purchase.

Bartering Model

Another popular method of conducting e-business is bartering, or offering one item in exchange for another. Ubarter.com (www.ubarter.com) is a site that allows individuals and companies wishing to sell a product to post their listings. The seller makes an initial offer with the intention of bartering to reach a final agreement with the buyer. A broad range of products and services is available for barter. If a business is looking to get rid of an overstocked product, iSolve (www.isolve.com) can help sell it. Products can be sold directly or on a barter basis. Potential customers send their pricing preferences to the merchant who evaluates the offer. Deals are often part barter and part cash. Examples of items typically bartered are overstocked inventory items, factory surplus and unneeded assets.

Rebates

Rebates can help attract customers to your site. Many companies offer "everyday low prices" and specials to keep customers coming back. eBates is a shopping site where customers receive a rebate on every purchase. eBates has formed partnerships with wholesalers and retailers who will offer discounts—the company passes these discounts to customers in the form of rebates. By adding value to a customer's visit, eBates builds customer satisfaction and loyalty. What eBates retains a portion of the savings.



Offering Free Products and Services

Many entrepreneurs are forming their business models around advertising-driven revenue streams. Television networks, radio stations, magazines and print media use advertising to fund their operations and make a profit. The following sites offer their products for free on the Web. Many of these sites also form partnerships with companies to exchange products and services for advertising space and vice versa. The Hollywood Stock Exchange (www.hsx.com) is a free gaming site where visitors become traders of entertainment stocks and star bonds. Traders are able to track the value of their movie and music stocks and bonds as they fluctuate. The strongest portfolios are rewarded with prizes. The company is able to offer its services free by selling advertising to sponsors. iWon.com (www.iWon.com) is a portal site that rewards users with raffle points as they browse the site's content. iWon has the appearance of a traditional search engine, offering links to news, sports, weather, and other topics. However, users registering and surfing the site become eligible for daily, weekly, monthly and annual prizes. Every advertisement and link has a point value and, as your points accrue, so do your chances of winning. iWon.com is able to support its free contests through advertising revenue and partnerships. Freelotto.com (www.freelotto.com) also offers free contests supported by advertising revenue. After registering with Freelotto.com, you can enter a free lottery. FreeLotto awards tens of millions in cash and prizes through its online lottery system. However, you must visit sponsoring Web sites in exchange for your visit. Freelotto.com generates its income from these sponsors. Freeremchant.com offers free hosting, a free store builder, a free shopping cart, free traffic logs, free auction tools and all necessary elements for running an e-commerce storefront. Freeremchant makes money from its strategic partnerships and referrals. Free merchant partners are companies who can help small businesses establish a presence on the Web. These partners offer their services free of charge in exchange for advertising.

At Startsampling.com (www.startsampling.com) you can earn prizes for trying and reviewing products. This site allows you to request free samples from companies across the country. Other Web sites that offer free resources are free-programs.com, freestuff-center.com and emazing.com.

B2B Exchanges

B2B e-commerce is defined as buying, selling, partnering, bartering or trading conducted between two or more businesses. Goldman Sachs has estimated that B2B e-commerce will generate as much as 1.5 trillion dollars in revenues by 2004, with some estimates running even higher.¹³ The B2B marketplace is one of the fastest growing segments of e-commerce. Industry leaders have begun using B2B marketplaces and exchanges to improve their business methods on the Web. B2B exchanges allow businesses to buy, sell, auction, barter and distribute products and services. This cuts costs while improving efficiency. Procurement (acquiring goods or services) and effective supply chain management can be difficult and costly aspects of running businesses. ICG Commerce Systems

(www.icgcommerce.com) is a site that enables businesses, customers, suppliers, purchasers and any combination of these to interact and conduct transactions over the Internet. The system supports B2B, B2C and all variations of these models. TradeAccess (www.tradeaccess.com) helps businesses form relationships and facilitate negotiations. The site aggregates all of the documentation and materials appropriate for a specific contract and negotiates the terms over the Web. ItoI stands for Industry to Industry. This site, located at www.itoi.com, is designed for inter-industry trading and offers services in the chemical, retail, construction and energy industries. Visitors have the option of buying through traditional methods, auctioning or conducting exchanges. In an exchange, customers make requests and merchants attempt to fill their request at the best price. The business provides a marketplace for raw materials, chemicals, equipment and services.

Another kind of B2B exchange is available online at eWork.com, which allows businesses to exchange employees to complete short-term projects. eWork can search its databases and find qualified professionals to



help you complete all of your projects. eWork is just one of many online companies that can help a business exchange human resources. Other B2B exchanges include www.cynomix.com and www.biz2biz.com.

B2B Service Providers

B2B service providers make B2B transactions on the Internet easier. These e-businesses help other businesses improve policies, procedures, customer service and general operations. Ariba (www.ariba.com) is a B2B service provider. Solutions include supply chain management, procurement, logistics, customer service features and many others. Freemarkets.com is a B2B marketplace connecting buyers and sellers. Companies with surplus inventory can use Free markets to sell extra assets. Free markets specializes in hard-to-sell raw materials, property and equipment. Because of the intense competition among Web sites for customers, the Web makes it more important than ever to keep your customers happy. Customer service and troubleshooting are important. Liveperson.com has found a way to improve customer service on the Internet, by offering a product that connects visitors to your help center through a live text-based chat. By clicking an Icon on the site the visitor can speak directly with a company representative. Try the system at www.liveperson.com. Business travelers who wish to do work often have to pay for time on a computer within a hotel's business center. PCRoomLink (www.pcroomlink.com) provides computers and secure Internet access to business travelers by putting computers in their hotel rooms. Membership is free and required when using the service. B2B services are also available from www.ceverything.com and www.magnifi.com.

CONCLUSION

In future the e-business model will get the development due to the development of the technology and also it will leads to the economic development of the country. In the point of view of the employment the e-business will create the direct and indirect employment opportunities to the graduates and non-graduates.