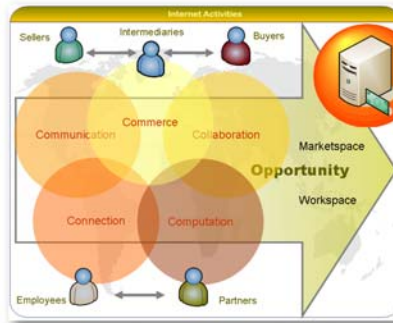


Review

GLOBAL DIGITAL BUSINESS

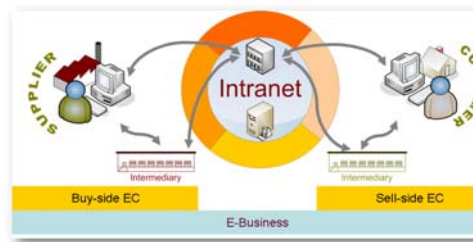
14

- Explain what is meant by e-commerce and e-business
- Evaluate the challenges associated with global EC
- Understand how e-commerce and the associated technologies affect strategy and strategies applicable to e-commerce
- Identify ways the use of the Internet and Internet (Net) technologies can help the international organization compete, create wealth and add value
- Discuss common electronic business models and their components



International businesses compete in two worlds: a physical and a virtual world. The latter has given rise to the world of electronic commerce (EC) and e-business (EB), a new locus of value creation. Much of the value created by e-business is due to the more effective use of information. The effectiveness and efficiency of organizational information systems can be enhanced significantly by a move to Internet technologies. Internet technologies enable EC and EB. The opportunities presented by EC fall into five broad domains: commerce, collaboration, communication, connection, and computation. The Web provides the connective tissue for information flow within and between organizations anytime- anyplace. Interoperability of Web services permits the creation of enterprise-wide information-system architectures linking all the corporate core business systems to the firm's Web site. Information systems extend far beyond the boundaries of the organization to encompass vendors, customers and even competitors.

The Internet links companies directly to customers, suppliers, and other interested parties; it lets companies bypass other players in an industry's value chain and is a tool for developing and delivering new products and services to new customers. Furthermore, it enables low cost communication and broad reach both up and downstream. Opportunities presented for operations include automating administrative processes, leading to faster turnaround of customer orders, enhanced customer support and shorter time to market for new products; shared learning; competitive procurement through electronic buying and supply-chain reconfiguration and integration and the virtualisation of enterprise components. Not only do Net technologies impact upon commerce and the way business is carried out but they also affect market and organizational structure.



There are limitations associated with the application of Internet technology in business. Customers cannot physically examine products; learning about suppliers and customers is limited by the lack of face-to-face contact which also makes 'selling' more difficult and limits the ability to take advantage of the low-cost, non-transactional functions performed by sales forces. There may be delays, due to shipment, in providing the goods or services to the end customer who cannot always simply walk out of the e-shop with them; extra logistical costs are required to assemble, pack, and move small shipments; the absence of physical facilities reduces a means to reinforce image and attracting new customers is difficult given the enormity of the available information and buying options.

The Internet presents new opportunities and intensifies competition. Internet technology provides buyers with easier access to information about products and suppliers, thus strengthening buyer bargaining power. With the Internet there is less of a need for an established sales force, reducing barriers to entry. Marketplaces automate corporate procurement. The benefits to buyers include low transaction costs, easier access to price and product information, convenient purchase of associated services, and, sometimes, the ability to pool volume. The Internet is an enabling technology - a powerful set of tools which rarely offers a direct competitive advantage. Internet technology, itself is not as a source of advantage because it is readily available to all. Competitive advantages arise from traditional strengths fortified through Internet technology - by tying a company's activities together in a more distinctive system.

Key Terms

DIGITAL ORGANIZATION

"an Organization where nearly all significant business processes and relationships with customers, suppliers, and employees are digitally enabled and key corporate assets are managed through digital means"

BUSINESS MODEL

"the organization's essential logic for consistently achieving its principle objectives- explains how it consistently makes money, highlights the distinctive activities and approaches that enable the firm to succeed—to attract customers and deliver products and services profitably"

E-COMMERCE

all electronically mediated information exchanges between an organization and its external stakeholders (see sell-side and buy side e-commerce)

E-BUSINESS

"using Internet technologies as the platform for internal business operations, electronic commerce, and enterprise collaboration"

DISINTERMEDIATION

The process of doing away with 'middlemen' from business transactions

INTRANET

"Internal, in-company Internet networks for routine communications, fostering group communications, providing uniform computer applications, distributing the latest software, or informing colleagues of marketing developments and new product launches "

EXTRANET

Formed by extending the intranet beyond a company to customers, suppliers and collaborators.