



Chapter VII

Creating Business Value through E-Commerce

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Electronic commerce (E-Commerce) has been the world's fastest growing industry and has made a big impact on businesses. The impact of e-commerce on industry, businesses and firms' competitive advantage has been phenomenal. Various business models have evolved in last few years. But, despite of this, the business value returned by e-business environment is being viewed with increasing skepticism by researchers and practitioners. How does e-commerce framework enhance business value? What are the different factors where business value can be measured? These are the kinds of questions addressed in our chapter.

INTRODUCTION

E-commerce and the Internet's growth are bringing fundamental changes to government, societies, and economies. The Web is fast emerging as a major player in the relationships between producers and consumers. Business and IT environments are in a constant state of flux. Businesses are constantly reinventing themselves in response to new market opportunities. Internet-enabled business information systems have great impact on the business value chains. Information technology assimilation is regarded as an important outcome in the efforts of firms

to leverage the potential of information technologies in their business activities and strategies.

Many types of electronic markets have evolved to offer various kinds of traditional and innovative products and services. Electronic commerce appears to be an entirely new channel, not just a new mechanism for ordering, advertising, or providing customer support, and requires different strategies than traditional ones. Today, for high demand of services, e-commerce can increase revenue through increased productivity, reduced expenditures, and a better level of service with fewer resources. E-commerce tools can improve skills and change users' behavior. E-commerce tools can create a better understanding of the business and improve decision making.

The advancement of information and communication technologies such as the Internet and other networks help organizations to reach across the global markets. These technologies of e-commerce in the form of electronic networks are increasingly becoming a highly strategic part of commerce for buying and selling products, services, and information in global markets (Weston, 1999). The emergence of a knowledge economy has given a new identity to the power of the e-commerce, and we see the evolution of a new business paradigm. E-commerce has provided a number of opportunities for the betterment of the customers as well as for other business players.

Organizations are exploring new markets, new services, and new products in response to forces such as advances in information and communication technologies, business strategies such as mass customization, globalization, and shorter production cycles (Ada, 1999). E-commerce has not only improved the profits but has also increased anticipated rate of growth of transactions, market capitalization, customer reach, geographic growth, and product service scope. In fact, e-commerce has impacted efficiency, effectiveness, productivity, and quality in terms of expense reduction, increased revenue, and return on investment (ROI). In a way, e-commerce—buying and selling products, services, and information in multiple countries—is rapidly changing the business paradigm to business value. In the e-business environment, organizations are expected to achieve greater profit, reduce overhead, and have flexible workflow processes by collaborating business information, partners, and physical resources in a more effective manner. E-business environments should reduce internal operations costs and the costs of interacting with customers and suppliers. Several business models have evolved, few claiming to be successful in accomplishing these goals.

In this chapter, we discuss the manner in which the e-commerce framework enhances the business value for an organization. Our framework focuses on how the e-commerce framework affects critical business activities such as production, logistics, customer service, sales, and marketing in the context of their value chain.

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