

Chapter 5

E-Commerce Business Model

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ABSTRACT

This chapter provides an overview of the e-commerce business model, the history of e-commerce, the scope of e-commerce, the difference between e-commerce and traditional commerce, issues related to e-commerce, electronic data interchange, value chain, and supply chain, and the pros and cons and limitations of e-commerce.

INTRODUCTION: E-COMMERCE

E-commerce is made of two word electronic and commerce:

- **Electronic:** Means of electronic in term of e-commerce is doing any activity (related to business, marketing, payment, communication) online.
- **Commerce:** Commerce is a branch of business. it is concerned to buying or selling of products and goods. It includes all those activities, which directly or indirectly related to business. An interchange of goods or commodities between different nations or between areas of the same nation (Hanson & Kalyanam,2009).

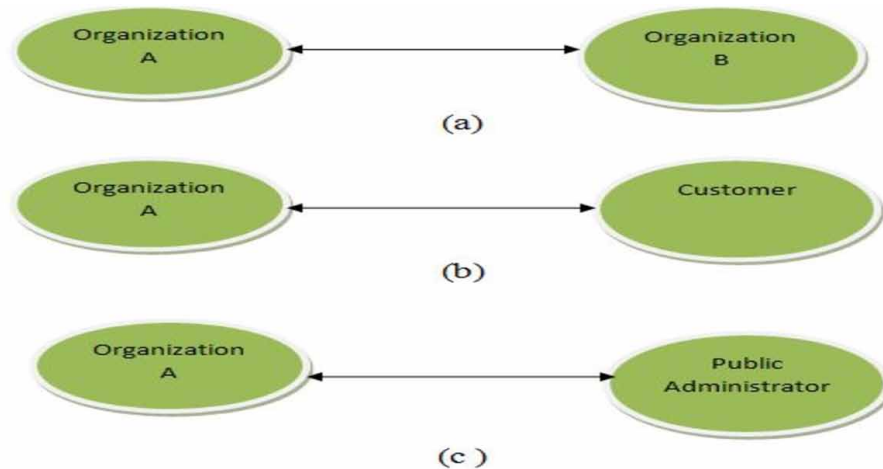
In this way we can say E-commerce is shifting or changing the way of doing business. It is a dot com revolution. It transfers all the business activity over the internet. so, today e-commerce is changing the way of human life. E-commerce takes place between organization, between organization and customers, or between organization and public administrative. This concept shown in Figure 1.

There are several definition of electronic commerce. Some of them are.

DOI: 10.4018/978-1-5225-3646-8.ch005

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Figure 1. A transaction (a) Between organization (b) Between organization and company (c) Between organization and public administrator



According to world trade organization – “ The Production, distribution, marketing, sales or delivery of goods and services by electronics means”.

Kalakota and Whintons defined the term E-commerce from different perspectives. These perspectives are:

- Communication
 - Business Process
 - Service
 - Online
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- **Communication Perspective:** According to this perspective, E-commerce is the delivery of information, product/services or payments over tele-communication channels, computer networks or any other electronic mode of communication.
 - **Business Process Perspective:** This says that E-commerce is the application of technology towards the automation of business transactions and work flow.
 - **Service Perspective:** E-commerce is defines as a tool that addresses the desire of firms, consumers and management to cut service cost while improving the quality of goods/services and increasing the speed of service delivery.
 - **Online Perspective:** Electronic commerce provide opportunity of buying and selling products and information on the internet and other online services.

According to Lou Gerstner, IBM’s CEO, “E-commerce is all about time cycle, speed, globalization, enhanced productivity, reaching new customers, and sharing knowledge across institutions for competitive advantage.” Zwass (1996) defines e-commerce as:

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