

Biyani's Think Tank

**Concept based notes**

# **E-Commerce**

*BCA Part-III*

**Deepika Kumari**

*BSc, MSc-IT*

Lecturer

Deptt. of Information Technology

Biyani Girls College, Jaipur



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Ph. : 0141-2338371, 2338591-95 | Fax : 0141-2338007

E-mail : acad@biyanicolleges.org

Website : www.biyanithinktank.com; www.biyanicolleges.org

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## Preface

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I am glad to present this book, especially designed to serve the needs of the students. The book has been written keeping in mind the general weakness in understanding the fundamental concept of the topic. The book is self-explanatory and adopts the “Teach Yourself” style. It is based on question-answer pattern. The language of book is quite easy and understandable based on scientific approach.

Any further improvement in the contents of the book by making corrections, omission and inclusion is keen to be achieved based on suggestions from the reader for which the author shall be obliged.

I acknowledge special thanks to Mr. Rajeev Biyani, *Chairman* & Dr. Sanjay Biyani, *Director (Acad.)* Biyani Group of Colleges, who is the backbone and main concept provider and also have been constant source of motivation throughout this endeavour. We also extend our thanks to M/s. Hastlipi, Omprakash Agarwal/Sunil Kumar Jain, Jaipur, who played an active role in co-ordinating the various stages of this endeavour and spearheaded the publishing work.

I look forward to receiving valuable suggestions from professors of various educational institutions, other faculty members and the students for improvement of the quality of the book. The reader may feel free to send in their comments and suggestions to the under mentioned address.

**Author**

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## Syllabus

### BCA

### E-Commerce

**Introduction to Electronic Commerce** : Defination of Electronic Commerce, The scope of Electronic Commerce.

**Business Strategy in an Electronic Commerce** : The value chain, Competitive advantage, Business strategy.

**Business to Business Electronic Commerce** : Inter-organisational transactions, Electronic markets, Electronic data interchange (EDI), EDI: the nuts and bolts, EDI and Business Inter organisational E-Commerce.

**Designing (Technical, Detailed, High Level)**: Introducation to Technical Design and COstruction. A Client Server Model of E-Commerce, Understanding Technical Design, Understanding Construction. Introduction to Detail Design. Any example of Applying Detailed Design: Introduction to High-Level Design, Understanding

High-level Design, Performing High-Level Design, High Level design of Business transactions Applying High-Level design, Any Example of Applying High-level Design.Challenges and Opportunities in Applying High-Level Design.

**Testing & Implementation:** Introduction to Testing.Understanding Testing. Applying Testing. Chalenges an Opportunities ihn Applying Verification and Validation.

**Implementation :** Understanding Implementation. Applying Implementation Planning. An Example of Applying Implementaiton Planning. Challenges and Opportunities Implementation Planning. guidance

**Idiotic an**



# Chapter-1 E- commerce & Scope of e – commerce

## Q1. What is e – commerce ? What are its characteristic?

Ans The term commerce is define as trading of good & services or if 'e' for 'electronic' is added to this, the definition of e – commerce is defined as trading of goods, services, information or anything else of value between two entities over the internet.

Following are some definations of e – commerce:-

1. It is the ability to conduct business electronically over the internet.
2. It means managing transactions using networking and electronic means.
3. It is a platform for selling products & services via internet.

## Characteristics of e – commerce:-

1. Establishment of B to B relationship.
2. Electronic payment.
3. e – distribution of products & services.
4. Exchange of information.
5. Pre and post – sales support.
6. Customer relationship management.

## Q2. What are advantage of e – commerce ?

Ans) Advantage of e – commerce:-

1. **Facilitates the globalization of business:-**e – commerce facilitates the globalization of business by providing some economical access to distant markets and by supporting new opportunities for firms to increase economies by distributing their products internationally.
2. **Provides increased purchasing opportunities for the buyer:-**As e – commerce increases sales opportunities for the seller, it also increases purchasing opportunities for buyer.
3. **Lowering staffing cost:-** As in e – commerce, the selling & purchasing process is outline, the amount of interaction with staff is minimized.
4. **Market based expansion:-** An e – commerce is open to entirely new group of users, which include employees, customers, suppliers & business partners.
5. **Increased profits:-**With e – commerce, companies reach more & more customers where physical commerce cannot reached, thus increasing profits.
6. **Increased customer service & loyalty:-** e – commerce enables a company to be open for business wherever a customer needs it.

**7. Increase speed & accuracy:-** E – commerce see the speed and accuracy with which business can exchange information, which reduces cost on both sides of transactions. It is available 24 hours a day & 7 days a week.

**8. Reduction of paper storage.**

**9. Increased response times:-** In e – commerce, the interaction with the system take place in real time & therefore allows customer or bidder to respond more quickly & thus reduces the time of discussion between then as in traditional commerce.

**Q.3 What are the limitations of e-commerce?**

Ans Limitations of e – commerce:-

**1. Security:-** the security risk in e – commerce can be-

- client / server risk
- data transfer and transaction risk
- virus risk

**2. High start up cost:-**

The various components of cost involved with e – commerce are:-

- connection:- connection cost to the internet.
- hardware / software:- this includes cost of sophisticated computer, moduer, routers, etc.
- maintenance:- this include cost involle in traning of employees and maintenance of web-pages.

**3. Legal issues:-** these issues arises when the customer data is fall in the hands of strangers.

**4. Lack of skilled personnel:-** there is difficulty in finding skilled www developers and knowledgeable professionals to manage and a maintain customer on line.

**5. Loss of contact with customers:-** Sometimes customers feels that they doesnot have received sufficient personal attention.



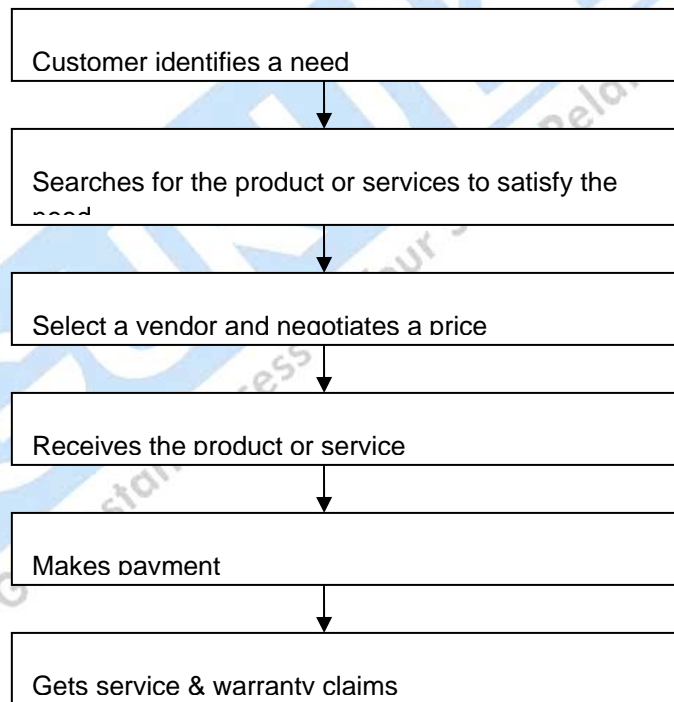
**6. Uncertainty and lack of information:-** most of the companies has never used any electronic means of communication with its customers as the internet is an unknown mode for them.

**7. Some business process may never be available to e – commerce:-**Some items such as foods, high cost items such as jewellery may be impossible to be available on the internet.

#### Q4. What are the types of e – commerce ?

Types of e – commerce:-

1. Business to customer (B to C):-It means the consumer is motivated by business.



#### **B to C working**

1. visiting the virtual mall- customer visits the mall by browsing the outline catalogue.

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2. customer registers- customer has to register to become part of the site's shopper registry.
3. customer buys product.
4. merchant processes the order- the merchant then processes the order that is received from the previous stage & fills up the necessary forms.
5. credit card is processed:- credit card of the customer is authenticated through a payment gateway or a bank.
6. shipment & delivery:- the product is then shipped to customer.
7. customer receives:- the product is received by customer and is verified.
8. After sales service:- after sale, the firm wants to maintain a good relationship with its customers. It is called CRM customer relationship management.

2. Business to business (B to B):- this is called as a business motivated by another business.

B2B is classified as:-

1. market place:- a digital electronic market place where suppliers and commercial purchasers can conduct transactions.
2. e – distributors:- a company that supplies products and services directly to individual business.
3. B2B service provider:- it is a company that sells access to internet based software application to other companies.
4. infomediary:- a company whose business model is premised upon gathering information about customers & selling it to other businesses.

3. Consumer to business (C to B):- a business motivated by a customer.

The various C2B classified into:-

1. idea collectors:- consumers generally have a great idea about how to improve the existing products and what new features can be added to new products. E.g. ideas.com
2. reverse auctions:- it allow prospective airline travelers to visit the website and name their price for travel between only pair of city. If an airline is willing to issue a ticket at there price, the passenger is obligated to buy.

3. Consumer to consumer (C to C):-

In this type, a consumer is motivated by another consumer. Consumers sell directly to other consumers via online classified ads and auctions, or by selling personal services or expertise online. E.g. ebay.com

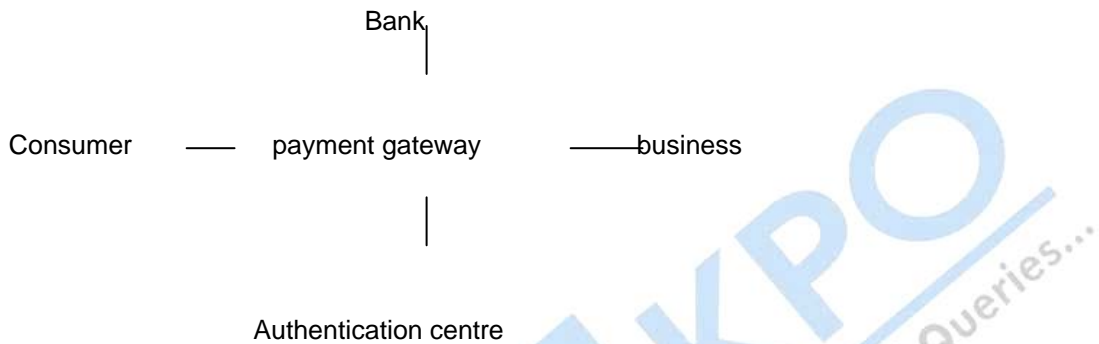
**Q 5 what is the difference between traditional commerce and e – commerce?**

Traditional commerce	e – commerce
1.Customer can easily identify & authenticate a merchant by seeing directly to him.	1. It is not easy in this case.
2.Customers can directly talk to merchant. Communication is not in the hands of a third party.	2. Customer can only see the representation & can only see the web pages
3.Customers can interact with other customers and gain feed back about merchant from other customers.	3. Customer cannot interact with other customers.
4. It is not available all the time.	4. It is always available 24*7*365 hours.
5. It is slow method.	5. It is fast method.
6 Customers just give cash to merchant & there is no need to give their name or address. So there is no worry about personal information.	6. Customer have to give their personal information to Purchase the product.

**Q 6 What is payment gateway ?**

Ans Payment gateway are server based transaction processing system which enclose business to authorize, process, and manage credit card transaction securely in a real time.

It act as an intermediate between merchant shopping cart and all financial network involved with transaction.



**Q.7 What are the areas of e-commerce?**

Ans The areas of e-commerce are

- 1)EDI 2)E-market 3)Internet commerce

**Q.8 What is trade cycle?**

Ans A trade cycle is the series of exchanges, between a customer and supplier, that take place when a commercial exchange is executed. A general trade cycle consists of:

- Pre-Sales: Finding a supplier and agreeing the terms.
- Execution: Selecting goods and taking delivery.
- Settlement: Invoice (if any) and payment.
- After-Sales: Following up complaints or providing maintenance.

For business-to-business transactions the trade cycle typically involves the provision of credit with execution preceding settlement whereas in consumer-to-business these two steps are typically co-incident.

The nature of the trade cycle can indicate the e-Commerce technology most suited to the exchange

## Client server technology

### Q.1 What is a Client process?

The client is a process that sends a message to a server process requesting that the server perform a task.

Client programs usually manage the user-interface portion of the application, validate data entered by the user, dispatch requests to server programs, and sometimes execute business logic.

The client-based process is the front- end of the application that the user sees and interacts with. The client process contains solution-specific logic and provides the interface between the user and the rest of the application system.

The client process also manages the local resources that the user interacts with such as the monitor, keyboard, workstation CPU and peripherals.

One of the key elements of a client workstation is the graphical user interface (GUI).

### Q.2 What is a Server process?

A server process (program) fulfills the client request by performing the task requested. Server programs generally receive requests from client programs, execute database retrieval and updates, manage data integrity and dispatch responses to client requests.

Sometimes server programs execute common or complex business logic. The server-based process "may" run on another machine on the network. This server could be the host operating system or network file server; the server is then provided both file system services and application services. Or in some cases, another desktop machine provides the application services.

The server process acts as a software engine that manages shared resources such as databases, printers, communication links, or high powered-processors. The server process performs the back-end tasks that are common to similar applications.

### Q.3 What is client server architecture?

**Client/server architecture** The client/server architecture significantly decreased network traffic by providing a query response rather than total file transfer. It allows multi-user

updating through a GUI front end to a shared database. Remote Procedure Calls (RPCs) or standard query language (SQL) statements are typically used to communicate between the client and server.

**The following are the examples of client/server architectures.**

1) **Two tier architectures** A two-tier architecture is where a client talks directly to a server, with no intervening server. It is typically used in small environments (less than 50 users).

In two tier client/server architectures, the user interface is placed at user's desktop environment and the database management system services are usually in a server that is a more powerful machine that provides services to the many clients. Information processing is split between the user system interface environment and the database management server environment.

2) **Three tier architectures** The three tier architecture is introduced to overcome the drawbacks of the two tier architecture. In the three tier architecture, a middleware is used between the user system interface client environment and the database management server environment. These middlewares are implemented in a variety of ways such as transaction processing monitors, message servers or application servers. The middlewares perform the function of queuing, application execution and database staging. In addition the middleware adds scheduling and prioritization for work in progress.

The three tier client/server architecture is used to improve performance for large number of users and also improves flexibility when compared to the two tier approach.

The drawback of three tier architectures is that the development environment is more difficult to use than the development of two tier applications.

The widespread use of the term 3-tier architecture also denotes the following architectures:

- Application sharing between a client, middleware and enterprise server
- Application sharing between a client, application server and enterprise database server.

i) **Three tier with message server.** In this architecture, messages are processed and prioritized asynchronously. Messages have headers that include priority information, address and identification number. The message server links to the relational DBMS and other data sources. Messaging systems are alternative for wireless infrastructures.

ii) **Three tier with an application server** This architecture allows the main body of an application to run on a shared host rather than in the user system interface client

environment. The application server shares business logic, computations and a data retrieval engine. In this architecture applications are more scalable and installation costs are less on a single server than maintaining each on a desktop client.

3-tier architecture provides:

- A greater degree of flexibility
- Increased security, as security can be defined for each service, and at each level
- Increased performance, as tasks are shared between servers

#### **Q.4 What are Benefits of the Client/Server Model ?**

**Divides Application Processing** across multiple machines. Non-critical data and functions are processed on the client. Critical functions are processed on the server.

**Optimizes Client Workstations** for data input and presentation (e.g., graphics and mouse support)

**Optimizes the Server** for data processing and storage (e.g., large amount of memory and disk space)

**Scales Horizontally** – Multiple servers, each server having capabilities and processing power, can be added to distribute processing load.

**Scales Vertically** - Can be moved to more powerful machines, such as minicomputer or a mainframe to take advantage of the larger system's performance

**Reduces Data Replication** - Data stored on the servers instead of each client, reducing the amount of data replication for the application.

#### **Q.5 What are the characteristics of client/server architecture?**

The basic characteristics of client/server architectures are:

1) Combination of a client or front-end portion that interacts with the user, and a server or back-end portion that interacts with the shared resource.

The client process contains solution-specific logic and provides the interface between the user and the rest of the application system. The server process acts as a software engine that manages shared resources such as databases, printers, modems, or high powered processors.



2) The front-end task and back-end task have fundamentally different requirements for computing resources such as processor speeds, memory, disk speeds and capacities, and input/output devices.

3) The environment is typically heterogeneous and multivendor. The hardware platform and operating system of client and server are not usually the same. Client and server processes communicate through a well-defined set of standard application program interfaces (API's) and RPC's.

4) An important characteristic of client-server systems is scalability. They can be scaled horizontally or vertically. Horizontal scaling means adding or removing client workstations with only a slight performance impact. Vertical scaling means migrating to a larger and faster server machine or multiservers.

#### **Q6. What are the different types of servers?**

**File servers.** -With a file server, the client passes requests for files or file records over a network to the file server. This form of data service requires large bandwidth and can slow a network with many users down considerably. Traditional LAN computing allows users to share resources, such as data files and peripheral devices, by moving them from standalone PCUs onto a Networked File Server (NFS).

**Database servers**-In database servers, clients pass SQL (Structured Query Language) requests as messages to the server and the results of the query are returned over the network. The code that processes the SQL request and the data resides on the server allowing it to use its own processing power to find the requested data, rather than pass all the records back to a client and let it find its own data as was the case for the file server.

**Transaction servers**- Clients invoke remote procedures that reside on servers which also contain an SQL database engine. There are procedural statements on the server to execute a group of SQL statements (transactions) which either all succeed or fail as a unit. The applications based on transaction servers are called On-line Transaction Processing (OLTP) and tend to be mission-critical applications which require 1-3 second response time, 100% of the time and require tight controls over the security and integrity of the database.

The communication overhead in this approach is kept to a minimum as the exchange typically consists of a single request/reply (as opposed to multiple SQL statements in database servers). Application servers are not necessarily database centered but are used to server user needs, such as. download capabilities from Dow Jones or regulating an electronic mail process. Basing resources on a server allows users to share data, while security and management services, which are also based in the server, ensure data integrity and security.



# Supply chain management & value chain

## Q 1 What is supply chain management ?

Supply chain management:-

- supply chain is a process umbrella under which products are created and delivered to customers.
- It is a sequence of processes and activities involved in manufacturing and distribution cycle.
- It is a network of facilities that made raw materials, transform them into intermediate goods & then final products and deliver the products to customers through a distribution system.

## Q2. What are the components of supply chain ?

Ans The following five basic components of SC are:-

1. plan:- it is the first step of SCM. It plans for meeting the customer demand.
2. source:- it means from where customer are ready to purchase their products. In this step, price, delivery & payment process of the goods are maintained.
3. make:- it is the manufacturing step. In this the necessary step for manufacturing steps are taken like production, testing, packaging and preparation for delivery.
4. deliver:- in this step customer give receipt of orders which he wants. A warehouse is maintained to store the product details.
5. return:- in this step a customer relationship management is maintained. In this customers are supported & feedback is taken from customers about products. A network is maintained for receiving defective & excessive products from customers.

## Q3. What are the benefits of SCM ?

1. It is web based not web enabled.
2. It incorporates broadcast and active messaging.

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3. It supports the exchange of real time benefits.
4. It has open internet application architecture. Which allows rapid deployment.
5. It is platform independent.
6. It is fully integrated system.
  
7. Global trading capabilities.
8. Global knowledge exchange.
9. Horizontal & vertical market place.
10. e – market place to e – market place connectivity.
11. Enterprise – to – enterprise connectivity.
12. It maximize selling opportunities by capturing valuable customer information buying patterns, frequency of visits, preferences, order history.
13. It provides tool sets to achieve new business by reaching out to customers that you never could before.
14. Improved customer response time.
15. An ability to offer local products globally.

#### **Q.4 What is value chain analysis? What are the primary and secondary activities?**

**Ans** The **value chain**, also known as **value chain analysis**, is a concept from business management that was first described and popularized by Michael Porter in his 1985 .

A value chain is a chain of activities for a firm operating in a specific industry. Products pass through all activities of the chain in order, and at each activity the product gains some value. The chain of activities gives the products more added value than the sum of added values of all activities. It is important not to mix the concept of the value chain with the costs occurring throughout the activities. A diamond cutter can be used as an example of the difference. The cutting activity may have a low cost, but the activity adds much of the value to the end product, since a rough diamond is significantly less valuable than a cut diamond.

#### **Activities**

The primary activities include: inbound logistics, operations (production), outbound logistics, marketing and sales (demand), and services (maintenance).

The support activities include: administrative infrastructure management, human resource management, technology (R&D), and procurement. The costs and value drivers are identified for each value activity.

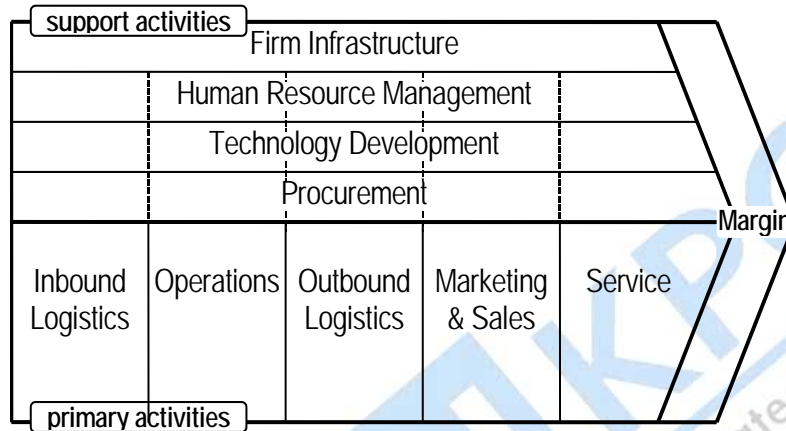
The **Value Chain framework** of **Michael Porter** is a model that helps to analyze specific activities through which firms can create value and competitive advantage.

#### **Primary activities**

- 1) **Inbound Logistics** Includes receiving, storing, inventory control, transportation scheduling.

2)**Operations** Includes machining, packaging, assembly, equipment maintenance, testing and all other value-creating activities that transform the inputs into the final product.

3)**Outbound Logistics** The activities required to get the finished product to the customers: warehousing, order fulfillment, transportation, distribution management.



4)**Marketing and Sales** The activities associated with getting buyers to purchase the product including channel selection, advertising, promotion, selling, pricing, retail management, etc.

5)**Service** The activities that maintain and enhance the product's value, including customer support, repair services, installation, training, spare parts management, upgrading, etc.

### Support activities

1)**Procurement** :-It refers to the purchase of goods and services for the organization.Procurement of raw materials, servicing, spare parts, buildings, machines, etc

2)**Technology Development**:-It includes CRM,internet marketing activities,production technology.

3)**Human Resources Management**:-An organisation would manage recruitment and selection,training and development.

4)**Firm Infrastructure**:-It includes MIS for planning , general management, planning management, legal, finance, accounting, public affairs, quality management, etc.

**Q5. Give an Example of value chain?.**

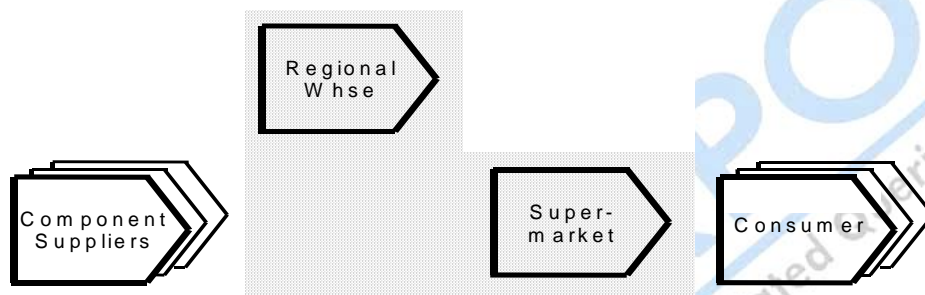
**Ans Food supermarkets value system**

Inbound Logistics: Large number of suppliers

Vast number of products

Process: Retail

Outbound Logistics: Vast number of Consumers



**Q6. What are the cost drivers of value chain?**

Ans Porter identified 10 cost drivers related to value chain activities:

- Economies of scale
- Learning
- Capacity utilization
- Linkages among activities
- Interrelationships among business units
- Degree of vertical integration
- Timing of market entry
- Firm's policy of cost or differentiation
- Geographic location
- Institutional factors (regulation, union activity, taxes, etc.)

**Q.7 What is meant by term stakeholder?**

Ans The term **stakeholder**, as traditionally used in the English language in law and notably gambling, is a third party who temporarily holds money or property while its owner is still being determined. In a business context, a stakeholder is a person or organization that has a legitimate interest in a project or entity.

A **corporate stakeholder** is a party that can affect or be affected by the actions of the business as a whole. Stakeholders also defined as those groups without whose support the organization would cease to exist.

### **Q.8 What is the relationship between Technology and the Value Chain?**

Ans Because technology is employed to some degree in every value creating activity, changes in technology can impact competitive advantage by incrementally changing the activities themselves or by making possible new configurations of the value chain.

Various technologies are used in both primary value activities and support activities:

- **Inbound Logistics Technologies**
  - Transportation
  - Material handling
  - Material storage
  - Communications
  - Testing
  - Information systems
- **Operations Technologies**
  - Process
  - Materials
  - Machine tools
  - Material handling
  - Packaging
  - Maintenance
  - Testing
  - Building design & operation
  - Information systems
- **Outbound Logistics Technologies**
  - Transportation
  - Material handling
  - Packaging
  - Communications
  - Information systems
- **Marketing & Sales Technologies**
  - Media
  - Audio/video
  - Communications
  - Information systems
- **Service Technologies**
  - Testing
  - Communications
  - Information systems

**Q6**What are the benefits of Value Chain?

Ans.

A)Electronic Value Chain:

- 1)Reduced time frame
- 2)Changed cost structures

B)Re-engineered Value Chain:

- 1)Just-in-time manufacture
- 2)Quick response supply
- 3)Efficient document processing

C)Competitive advantage

**Q.7**How you can improve supply chain management?

**Ans7** Supply chain management can be improved by integration and co-ordination.

## Competitive advantage and business strategy

### Q1. What is meant by competitive advantage?

Ans Competitive advantage is an advantage over competitions gained by offering consumers greater value, either by means lower prices or by providing greater benefits and services that justifies higher prices.

There are two main types of competitive advantage comparative advantage and differential advantage.

Comparative advantage is a firm's ability to produce a good or service at lower cost than its competitors.

A differential advantage is created when a firm's products or services differ from its competitors.

### Q2. What are the strategies that are adopted to gain competitive advantage ?

Ans

1. Differentiation:- this strategy is used to attract more customers, this strategy allow you to change a higher price because you are delivering more value to your customers.

This can be done as –

More value – often products or services for same price.

Freebies – free upgrades & coupons for future purchases.

Discounts – includes offering regular sales, coupons etc.

New/first – be the first one to offer something in your location.

Deliver/fast – next day or one hour make it faster than customers think possible.

Before/during/after sales support – provide technical or other support to customers.

Guarantee/warranty – free replacements parts.

2. Cost leadership:- this strategy seeks to achieve the position of lowest cost producer in industry as a whole. By producing at lowest cost, the manufacturer can compete on price with every other producer in the industry.



3. Differentiation focus:- this strategy works in narrow market. It means the companies focus on smaller segments (niches) of customers rather than entire the cross market.

Companies following focused differentiation strategies produce customized products for small market segments. They can be successful when either the quantities are too small for industry wide competitors to handle economically, or when the extent of differentiation requested is beyond the capabilities of industry wide differentiation. E. g. luxury goods.

4. Cost focus:- in this strategy, a lower – cost advantage is given to a small market segment.

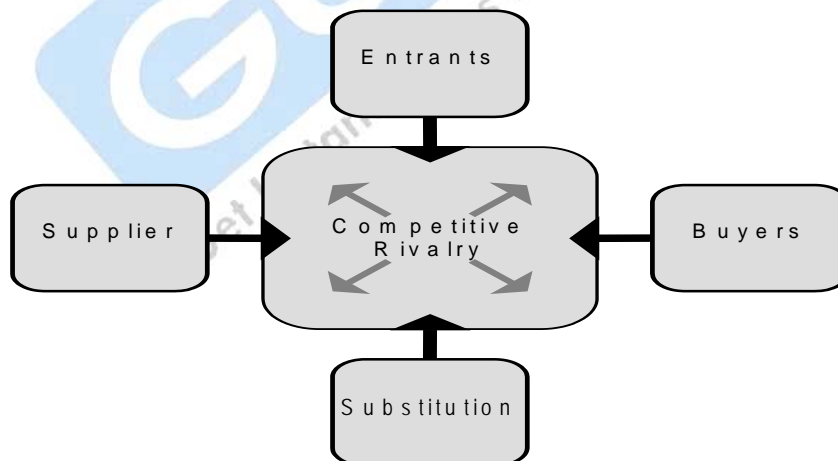
For e.g. Ikea company offers home furnishing that has good design, functions and quality with low prices.

### Q3. Explain Michael porter five forces model ?

Ans. Michael porter concept involves relationship between competitors within an industry, potential suppliers, buyers and alternative solutions to the problem being addressed.

It consist of

1. entry of competitors
2. threat of substitutes
3. bargaining power of buyers
4. bargaining power suppliers
5. rivalry among existing players
6. Government





### **1) Barriers to entry/ threat of entry:-**

Any firm should be able to enter and exit a market and if free entry and exit exists, then profit always should be nominal.

But industries always possess high nominal rate & thus inhibit additional rivals from entering the market. These are barriers to entry.

#### **Barriers to entry arise from several sources:-**

1. Government create barriers:- role of govt. in a market is to preserve competition through anti-trust actions, govt. also restricts competition through granting of monopolies and through regulation.
2. patents and proprietary knowledge serve to restrict entry into an industry:- ideas and knowledge that provides competitive advantages are preventing others from using the knowledge & thus creating a barrier to entry.
3. economies of scale:- the most cost efficient level of production is termed as minimum efficient scale (MES).

This is the point at which unit costs for production are at minimum i.e. the most cost efficient level of market share necessary for low cost entry or cost parity with rivals.

Easy to enter if

- common technology
- little branding
- access to distribution channels

difficulty in brand switching

restricted distribution channels

high scale threshold

## **2)Threat of substitutes**

A threat of substitutes exists when a product's demand is affected by price change of a substitute product.

As more substitutes are available, the demand becomes more elastic since customers have more alternatives.

For e. g.

The price of aluminium beverage cans is constrained by price of glass bottles, steel cans and plastic containers.

It depends on –

Quality

Buyer's willingness to substitute

Price & performance of substitute

Cost of switching to substitutes

## **3Bargaining power of buyers:-**

Concentration of buyers, differentiation, Profitability of buyers, role of quality and service

## **4Bargaining power of suppliers.**

Concentration of suppliers, Branding, Profitability of suppliers, role of quality and service

## **5Intensity of rivalry depends on:-**

It rivalry among firms in an industry is low, the industry is considered to be disciplined.

In pursuing an advantage over its rivals (competitor), a firm can choose –

1 changing prices

2 improving product differentiation

3 take advantage of relationship with suppliers.

The intensity of rivalry is influenced by

1. a large no. of firms increase rivalry because more firms compete for same customers & resources.
2. slow market growth causes firms to fight for market share.
3. low switching cost freely switch from one product to another there is greater struggle to capture customers.
4. low levels of product differentiation
5. high storage cost or highly

perishable products cause a producer to sell goods as soon as possible. If other producers are attempting to unload at the same time, competition for customers intensifies.

#### Q4.What is business strategy?

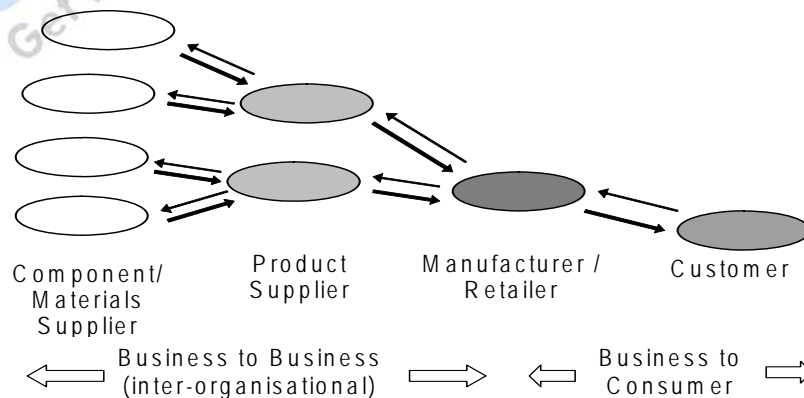
Ans Strategy is the direction and scope of an organization over the long-term: which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder expectations.

The best business strategies must steer a course between the inevitable internal pressure for business continuity and the demands of a rapidly changing world for revolutionary business strategies.

## Inter-organizational transactions and e – market

### Q.1What is inter-organizational transactions?

Ans.1 The transactions between business to business are called inter-organizational transactions.



## Q.2 What is credit Transaction cycle?

### Ans. Credit transaction trade cycle

#### Pre-Sales:

Search – find a supplier

Negotiate – agree terms of trade

#### Execution:

Order (purchasing procedures)

Delivery (match delivery against order)

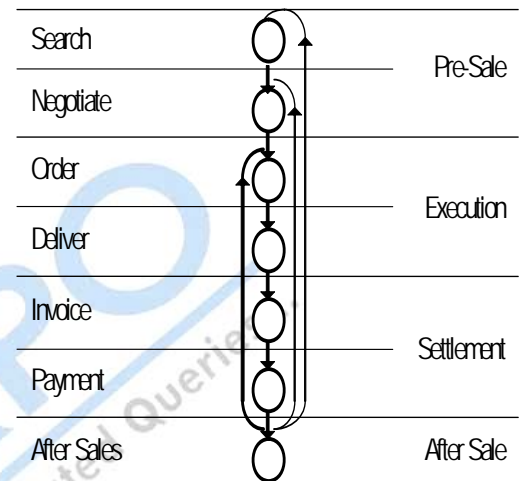
#### Settlement:

Invoice (check against delivery)

Payment

After Sales (warranty, maintenance, etc.)

Repeat – many orders repeat on a daily or weekly basis.



## Q3. Describe e-marketplace models?

Ans There are many different types of e-marketplace based on a range of business models. They can be broadly divided into categories based on the way in which they are operated.

### Independent e-marketplace

An independent e-marketplace is usually a business-to-business online platform operated by a third party which is open to buyers or sellers in a particular industry. By registering on an independent e-marketplace, you can access classified ads or requests for quotations or bids in your industry sector. There will typically be some form of payment required to participate.

## **Buyer-oriented e-marketplace**

A buyer-oriented e-marketplace is normally run by a consortium of buyers in order to establish an efficient purchasing environment. If you are looking to purchase, participating in this sort of e-marketplace can help you lower your administrative costs and achieve the best price from suppliers. As a supplier you can use a buyer-oriented e-marketplace to advertise your catalogue to a pool of relevant customers who are looking to buy.

## **Supplier-oriented e-marketplace**

Also known as a supplier directory, this marketplace is set up and operated by a number of suppliers who are seeking to establish an efficient sales channel via the internet to a large number of buyers. They are usually searchable by the product or service being offered.

Supplier directories benefit buyers by providing information about suppliers for markets and regions they may not be familiar with. Sellers can use these types of marketplace to increase their visibility to potential buyers and to get leads.

## **Vertical and horizontal e-marketplaces**

Vertical e-marketplaces provide online access to businesses vertically up and down every segment of a particular industry sector such as automotive, chemical, construction or textiles. Buying or selling using a vertical e-marketplace for your industry sector can increase your operating efficiency and help to decrease supply chain costs, inventories and cycle time.

A horizontal e-marketplace connects buyers and sellers across different industries or regions. You can use a horizontal e-marketplace to purchase indirect products such as office equipment or stationery.

### **Q1. What is e – marketing ?**

Ans An inter – organizational information system that allows participating buyers and sellers to exchange information about price and product offerings.

### **Q2. What is e – marketing value chain ?**

Ans e – marketing maintains the strong relationship between company and customer.

It is like a chain the company acquires customers, fulfill their needs and offers support and gains their confidence so that they return to it again.

Content:- a customer accesses a website for the content of that site. Initially a customer will want to navigate quickly to gain a clear understanding of the sites progression to more detailed information.

Format:- the selection of data format is crucial.

Access:- online data access depends on the BW requirement.

### **Q3. What are the advantage of online marketing ?**

1. It offers bottom line benefits.
2. It save money and help you stretch your marketing budget.
3. It save time and cut steps from the marketing process. The customer easily get desired information of products whenever they want.
4. It is information rich and interactive.
5. It reduces the time and distance barriers that get in the way of conducting business transaction.
6. It gives equal opportunity to each & every customers.
7. This market is available all the time i.e. 7 \* 24 hours

## **EDI & EDI standards**

### **Q1What is EDI ?**

Ans. EDI is electronic data interchange. It is the direct communication of trading messages between computer systems, using national and international telecommunications networks.

### **Q2What are EDI terminology ?**

Ans A trading partners:- a trading partner is an organization who uses EDI. They are assigned a trading partner ID number which is their generic "customer number".

If you decided to use EDI, you will register your company with your service provider (VAN) who will provide with a trading partner.

ID number

B VAN:- it is a service provider which stores your EDI mail from your trading partners and transmits your EDI documents to your trading partner's mailbox.

C transaction software:- software used to send & service EDI documents within VAN.

Global / DX:- this module takes the output from the transaction software & creates necessary transactions and also creates files trading partners.

### **Q3 Give the description of EDI architecture ?**

Ans. EDI architecture specifies 4 layers:-

- 1) Semantic (application layer)
- 2) Standard transaction layer
- 3) Packing (transport) layer
- 4) Physical n/w infrastructure layer.

1) Semantic layer:- It describes the business application that is driving EDI.

For a procurement application, this translates into requests for quotes, price quotes, purchase orders, acknowledgements & invoices.

The information seen at this layer must be translated from a company specific form to a more generic form so that it can be sent to various trading partners, who could be using a variety of software applications at this end.

When a trading partner sends a document, the EDI translation software converts the proprietary format into a standard mutually agreed on by the processing system. When a company receives the document, their EDI translation software automatically changes the standard format into proprietary format of their document processing software so that company can manipulate the information in whatever way it chooses to.

2. EDI standards:- It specifies business form structure and it also influences the content at application layer.
3. The most two important standards are:-
  - EDIPACT
  - ANSI X12



3.EDI transport layer:- it corresponds closely with the non-electronic activity of sending a business form from one company A to company B.

The business form could be sent via regular postal service, registered mail, certified mail or private carrier such as united pariel service (UPS) or simply faxed between the companies.

EDI semantic layer    application level services

EDI standard layer    EDIFACT

                                  ANSI X12

EDI transport layer    e- mail    X 435

                                  Point2point    FTP

                                  www    HTTP

4.Physical layer :- Dial up lines

#### **Q How EDI Works?**

1. The buyer enters order information into the production database, which generates a purchase order on the computer. The order information is then channeled through a number of interface programs.
2. The interface software programs perform edits and checks on the document and direct the order data into predefined EDI intermediate files.
3. The EDI intermediate files contain information in a form that the EDI translation software can read.
4. The translation software is a set of programs that translates the interface file data into a document formatted according to EDI standards that the supplier's computer can recognize.
5. The electronic document now consists of a file that contains the order data in a predefined, recognizable order.
6. The communications software adds appropriate communications protocols to the EDI document in preparation for transmission via telephone lines.
7. Using a modem and telephone line, the buyer transmits the EDI purchase order to a VAN (Value added network).
8. The communications software on the supplier's computer picks up the document from the VAN, interprets and/or converts the communications protocols to open the electronic document.
9. The purchase order is now in a standard, recognizable format in a file and is available to the supplier's computer.
10. The supplier's translation software interprets the documents from the EDI format and places the order information in EDI intermediate file(s).
11. The EDI intermediate files contain the translated purchase order information.
12. The interface programs perform edits and checks before the data is integrated with the supplier's production database.



The application software on the supplier's computer can now process the buyer's order.

**Q4.What are the benefits of EDI ?**

Ans. Benefits of EDI are:-

**1)Shortened ordering time**

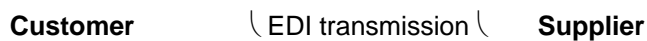
Speed of transmission (data arrives in seconds rather than days in postal systems).

**A posted order ...**



**... say 7 days between two large organisations**

**An EDI order ...**



**... one day, one hour, as quick as you like**

## 2)Cutting costs

a)Stationery

b)Postage

c)Staff:

- order entry
- invoice matching
- payment checking

d)the principle saving is staff costs – staff savings can be very significant

## 3)Accurate invoicing

automatic matching to orders

elimination of queries and delays

4. Accuracy of data (no re-keying of data into a system is required eliminating the human error factor at the receiving end.)
5. Replaces much of the paper handling at both ends.
6. Improved problem resolution and customer service:- EDI can minimize the time companies spend to identify and resolve interbusiness problems.  
  
EDI can improve customer service by enabling the quick transfer of business documents and a marked decrease in errors.
7. Expanded customer / supplier base – many large manufactures and retailers with the necessary things are ordering their suppliers to institute an EDI program.
8. Competitive edge – because EDI makes you attractive to deal with from your's customers point of view and ypu are in their eyes cheaper and more efficient to deal with than a

comp editor trading on paper, your costs will be lower because you will require less manpower to process orders, delivers or payments.

#### **Q5. What are EDI standards ?**

Ans EDI standards are very broad and general because they have to meet the need of all businesses.

#### EDI share a common structure:-

1. Transaction set is equivalent to business document, such as purchase order. Each transaction set is made up of data segments.
2. Data segments are logical groups of data elements that together convey information, such as invoice terms, shipping information or purchase order line.
3. Data elements are individual fields, such as purchase order number, quantity on order, unit price.

#### The need for EDI standards:-

EDI provides an electronic linkage between two trading partners. To send documents electronically to each other, firms must agree on a specific data format and technical environment.

#### EDI standards and initiatives:-

#### National standards:-

1. **ODETTE:-** an EDI format developed for European motor industry. ODETTE stands for organization for data exchange by tele transmission in Europe.
2. **TRADACOMS:-** it is UK national standard, which is developed by ANA (Article number association) in 1982.

ANSI ASC X12 (American national standards – X12) – X12 is a standard that defines many different types of documents, student loan applications, injury and illness supports and shipment and billing notices.

#### International standards –

**EDIFACT** – (Electronic data interchange for administration, commerce and transport) was developed during 1990's with a subset of EANCOM, which is the most widely used dialect of EDIFACT in international retail and distribution sector.

**UN/EDIFACT** – (United nations/electronic data interchange for administration commerce and transport) is an international set of EDI standards that are published by united nations trade data interchange (UNIDID).

*Send your requisition at*  
[info@biyanicolleges.org](mailto:info@biyanicolleges.org)

