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VALUE CHAIN IN E-COMMERCE

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ABSTRACT

The Merchants can have global reach, reduction in cost, customized products, services and improved customer relations. Also, the consumers can shop any time anywhere, i.e. ubiquity, more products and services, cheaper products and services, instant delivery and overall everything in his favour. There are in fact benefits for the society at large, e.g., higher standard of living, hope for the poor and easy availability of public services. One of the main goals of e-commerce is to add value to the traditional commerce. Therefore, the primary strategy of the e-commerce companies is to break the business down into series of value-adding activities that combine to generate profits and meet other goals of the firm and create business processes based on that. In this paper, I will discuss about the internet business strategies that will improve the value chains in e-commerce.

KEYWORDS: *Business Strategy, e-commerce, Value Chain.*

INTRODUCTION

As e-commerce is a method for companies to create and operate their business in new and efficient ways, companies can sell different products and services through a variety of distribution channels to several types of customers. Michael Porter introduced the idea of value chains in the year 1985. A value chain is a way of organizing the activities that a business undertakes to design, produce, promote, market, deliver and support the products and services it sells. It consists of primary activities such as inbound logistics, operations, outbound logistics, sales, marketing and services. Besides these primary activities, some of the supporting activities such as procurement, technology development, human resource management and over all the general management are included in the value chain model. There are several types of value chains including the business unit value chains and industry value chains. In e-commerce, the business units can be considered as strategic business units. All the small and big business units that have got their own value chains as the industry value chain. The consumer-merchant interaction will give rise to the commerce value chain.

Overview of Value Chain in e-commerce

To understand the value of the value chain in e-commerce, rewind to 2020, when the pandemic began. Since then, the global market has witnessed financial crises, rising geopolitical changes, economic slumps, and climate change. Be it retail, industrial manufacturing, or e-commerce, each has been affected.

Since its conception, all e-commerce companies have engaged in various activities to deliver products to their clients. These activities include material acquisition, processing, manufacturing, and final delivery. Collectively, all these tasks fall under the purview of e-commerce value chain activities.

Before the .com boom in the early 2000s, the notion of value chains only applied to brick-and-mortar businesses and was fairly simple and clear. Commodities were manufactured in a factory, carried to a retail outlet, and then sold to a consumer. But this changed with the rise of the internet.

Rather than being delivered to a physical retail outlet, products are shipped to storage facilities or fulfillment hubs as inventories. They are purchased from online retailers and delivered directly from these storage or fulfillment facilities to customers.

Consumers don't need to walk into a store to shop. Instead, they can browse and purchase anything from the comfort of their smartphones or computers. All of this is made possible through value chains, where companies assess their activities to provide the best product or services.

THE KEY COMPONENTS OF AN E-COMMERCE VALUE CHAIN

To understand the key components of the value chain, let's go back to Professor Porter's notes. He meticulously divided an organization's operations into two main categories: "primary" and "support."

We present them below as primary and secondary activities. Depending on the industry, the specific tasks in each category differs. In general, any value chain model in e-commerce will have the following steps:

PRIMARY ACTIVITIES

There are five aspects to primary activities. All of them are necessary for generating value and gaining a competitive advantage over other competition:

- **Inbound logistics:** Receiving stock, storage, and inventory management are all part of inbound logistics.
- **Operations:** Procedures for transforming raw materials into a final product are included in operations.
- **Outbound logistics:** Refers to the activities involved in getting a finished product to a customer.
- **Marketing and Sales:** Advertising, promotion, and pricing are all strategies used in marketing and sales to increase visibility and target the right customers.
- **Services:** Customer service, servicing, restoration, refund, and exchange are services that keep products running smoothly and improve the customer experience.

SECONDARY ACTIVITIES

The purpose of secondary activities is to aid in the efficiency of primary activities. When the efficiency of all support activities becomes more productive, it enhances at least one of the five primary activities. A company's revenue statement usually indicates these support operations as overhead costs.

- **Procurement:** Refers to the process by which a corporation acquires raw materials.
- **Technological development:** During a company's research and development (R&D) phase, technological advancement is utilized to create and develop production procedures and automate processes.
- **Human resource management (HR):** It entails hiring and keeping workers engaged who will help to design, promote, and sell the product per the company's business plan.
- **Infrastructure:** Company systems and the composition of its management team, like strategy, accountancy, financing, and product testing, are examples of infrastructure.

The Interconnectedness of Value Chain and Supply Chain in e-Commerce

In e-commerce, value and supply chains are two sides of the same coin. They are so intricately related that people sometimes use them interchangeably. However, there are a couple of conceptual differences between the two in an e-commerce model.

First, the value chain involves the steps in producing and manufacturing a finished product. But, the supply chain includes the services required to deliver it to the end customer.

In other words, the supply chain involves personnel and services for fulfilling customer orders, including order procuring, processing, fulfillment, and shipping. It also addresses a complex relationship between suppliers and the company.

Second, the value chain model explains ways to enhance product value as it passes through the various stages, from manufacturing to distribution. On the other hand, the supply chain represents ways to satisfy a customer as soon as an order is placed with an e-commerce company.

Supply chain management has six critical processes. Starting with sourcing products from suppliers at the optimal price and procuring goods or services aligning with company goals. Next comes conversion, transforming the item or raw materials into brand-distinguished products.

Then comes assembly and logistics. Assembly involves the movement of goods across long distances, staying at multiple warehouses and locations, and final packaging.

Logistics takes care of transportation from the first to the last mile of a delivery chain, handing the parcel to the customer. Lastly comes value-added services like hyperlocal deliveries or branded packaging.

In the supply chain, there is a constant flow of information, materials/products, and finances from suppliers to manufacturers, wholesalers to retailers/e-commerce companies, and customers.

Companies can evaluate activities and steps to improve the final product with a value chain analysis. With a supply chain, they can plan, coordinate and integrate the flow of stock and inventories within the company and among stakeholders. They can lower costs, improve product cycles, adapt to market changes, and garner profits.

GENERIC VALUE CHAIN FOR INTERNET COMMERCE

Attract - This is first step of generic internet commerce value chain, and includes steps to draw customers towards primary site through paid advertisement on other websites, television, e-mail print or other form of advertising and marketing efforts.

Interact - Second step is content oriented and includes converting customer interest into orders. Content may be distributed through e-mail or World Wide Web or other media like CD-ROMs. Content can be editorial (changing frequently or infrequently) or technical (static or dynamic).

Act - When the customer has searched a product or service as per his requirements. This step tries to capture the order and includes; Order processing, here customer can change quantities of order in his shopping cart and buyer is presented itemized order form including all charges like sales tax and shipping costs, so that he can make payment. Payment, here buyer can make payment for the order through variety of payment options available on internet commerce. Fulfillment, here order is forwarded to traditional order processing system.

React - Once sale is completed, customer may face certain difficulties that may require further service.

LEGAL VALIDITY OF ELECTRONIC TRANSACTIONS

Commonly e-contracts can be of three kinds; browse wrap, which is binding on the contracting party by mere use of the website. Second is, shrink wrap, here contracting party read the term and conditions after opening the box in which product is packed. Another most popular e-contract is click wrap, under which contracting party accepts this contract by clicking on "I accept" tab. Like any other contracts, e-contracts should fulfill the requirements as per the Indian Contract Act 1872. The IT Act 2000 fortifies validity of e-contracts; further the IT (Amendment) Act 2008 clearly states under section 10A that "Where in a contract formation, the communication of proposals, acceptance of proposals, the revocation of proposals and acceptances, as the case may be, are expressed in electronic form or by means of an electronic record, such electronic contract shall not be deemed to be unenforceable solely on the ground that such electronic form or means was used for that purpose." In the present formulation of the IT Act, industry bodies like Confederation of Indian Industries (CII) and National Association of Software and Services Companies (NASSCOM) have reported difficulties associated with the formation of online contracts and legal enforceability of online contracts involving international parties. To deal with unconscionable standard form online agreements, jurisprudence in India is not well developed. However, there have been instances in which Indian laws and Indian courts have dealt cases where unequal bargaining positions were negotiated between parties (LIC India vs. Consumer Education & Research Center, 1995 AIR 1811; Lily White vs. R Munuswami, AIR 1966 Mad 13). As compared to conventional contracts, e-contracts face three major issues, first, contract has to be physically signed, and this problem has been resolved with the use of electronic signatures. Second, age of anyone transacting online can't be verified, whereas the Indian Contract Act 1872 clearly states that contract is not enforceable against minor. Third, paying stamp duty as in case of physical documents is not workable in case of e-contracts.

Performing a value chain analysis consists of three steps:

Step 1: Determine The Activities In The Value Chain

This initial step includes learning about the primary and secondary activities that go into generating a product or service. Because the interactions may differ, it's critical for organizations that provide various products or services to undertake value chain analysis for all of them.

Step 2: Determine The Amount And Value Of Various Activities

The next stage is determining how each specified activity contributes to the e-commerce value chain process. It's also crucial to consider the costs associated with each operation, as lowering costs could increase the total transaction value.

Step 3: Look For Ways To Get A Competitive Edge

You may assess the value chain in electronic commerce from whichever competitive advantage you seek to create. For instance, if you are looking to cut costs, examine the value chain from the standpoint of lowering costs and enhancing efficiency.

In many cases, Research will reveal operations that can be outsourced or even deleted entirely to save money or bottlenecks in the production process that might be fixed to save time and money.

CONCLUSION

The customers and merchant relationship can give rise to a e-commerce value chain. The merchants will be constantly engaged in attracting the customers through their sales and marketing strategies, e.g., advertisements, marketing schemes, etc. Once the customer shows interest, the merchant interact with them mainly through electronic catalogue and discount coupans, etc. and try to capture orders. The e-commerce value chain identifies opportunities up and down the product's life cycle for increasing the efficiency or quality of the product.

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