



UNIT - 2

ROLE OF E-COMMERCE IN GLOBAL BUSINESS

Learning Outcomes

By the end of this unit the learner will be able to:

- ✓ Describe the complexities of doing business in a global context
- ✓ Discuss trends in global business

Unit 2

Role of E-commerce in Global Business

What is E-Commerce?

E-commerce continues to expand in scope. It involves the use of computers to buy, sell, and exchange products and services; provide customer service; and collaborate on business.

E-commerce and the continuing evolution of technology are making it easier for international partners to do business by importing and exporting, and drawing components from around the globe to assemble final products somewhere else. The World Wide Web was invented in 1989, and in the short time since, the Internet and e-commerce have literally penetrated all aspects of business.

When you order a product from within your own country and it arrives on your doorstep, you've been a part of an e-commerce transaction. Order a product from outside your own country, and you're now a part of the international movement to be a small, independent importer. When you order from a country that has a trade association with your country, you might not have to pay much in the way of taxes or duties in addition to what the cost of your item is. However, if your country is not part of an association and you order something, your taxes and duties could reflect that through levying of duties and tariffs (and sometimes these costs are a substantial part of your transaction).

A company that is involved in global enterprise has additional considerations to a strictly domestic operation, in the context of e-commerce. Gathering and storing information related to imports, exports, and specific transactions takes specialized knowledge in order to protect the information collected. Financial details, personal information, and company activities must all be protected from theft and compromise, as do intellectual property, trade secrets, and even basic things like customer lists.

Test your knowledge

Are you already providing services through e-commerce?

Are you personally doing business online?

Do you have questions, concerns, or suggestions about moving into e-commerce?

Protection of Information

Your Business' Role

Although we speak about the protection of information, it's not enough to promise to look after a customer's personal or business information (such as their credit card and banking information, addresses, phone numbers, and identification details). We must also protect the integrity and security of that information.

What we have seen is that as we do more business online, crime is keeping pace, and the sophistication of thievery also evolves. Your role includes having mechanisms in place to protect your business, and protect the integrity of your clients' information. Whether someone enters credit card information on your website, applies for credit with your company using an online form, or you are manually adding payment details to a Customer Relationship Management (CRM) system, that information is vulnerable to theft.

Security Checklist

In order to protect your commercial enterprise, and your reputation, there are some key things you must do:

- ✓ Your e-commerce site, if you are selling or offering goods through an online platform, must be properly protected. This means that you must work with a financial provider, a bank, or a commerce provider that is the equivalent of PayPal or Amazon. (This is not an endorsement of PayPal or Amazon, but a reference point for you.)
- ✓ You must have a privacy policy, and it should be posted on your website and included as part of your documentation.
- ✓ Use high-security passwords that are a combination of uppercase letters, lowercase letters, numbers, and special characters.
- ✓ Only ask for the information that you need so there is not extra information floating around that could make you vulnerable.

- ✓ Install, maintain, and upgrade appropriate security.
- ✓ Monitor your system for threats regularly.
- ✓ Encrypt your information.
- ✓ Consult with financial transaction and accounting specialists, in addition to your banking representative, to ensure that you have the best security available to manage your payment systems.

Basic E-Commerce Business Models

The Four Models

For many people, the term **e-commerce** evokes the idea of placing individual orders over the Internet (usually from a website) and then having things arrive in the mail. This is an example of a Business-to-Consumer (B2C) transaction. However, there are four basic models related to commerce that are also represented through e-commerce:

- ✓ Business-to-Consumer (B2C)
- ✓ Business-to-Business (B2B)
- ✓ Consumer-to-Business (C2B)
- ✓ Consumer-to-Consumer (C2C)

The B2C Model

In **B2C** arrangements, the **business sells to an individual consumer**. This could be a retail operation selling and delivering products to an individual household. It also includes electronic delivery of items like e-books, articles, patterns, and newspapers.

The B2B Model

In **B2B** selling, **businesses sell goods and services to one another**. These products and services are used by the buyer to further their business. It can include things like drywall being purchased by a construction company, new cars being purchased by a taxi company, or a retail shop purchasing paper towels for staff to use in polishing display cabinets.

The C2B Model

With the **C2B** model, things turn around as consumers sell products and services to businesses. Websites like Odesk.com or Elance.com, for example, allow businesses to list projects and provide a platform for

freelancers to bid on them. The freelancer is a consumer in this case, approaching a business to secure contracts.

The C2C Model

In **C2C** e-commerce transactions, a website serves as a facilitator in a transaction between two buyers (consumers). Auction sites like eBay and crafting sites like Etsy allow individual sellers to sell to individual buyers, with the website acting as a transaction platform.

Give It A Go

In the space below, provide three examples of sales transactions for each of the business models described in the previous session. These can be e-commerce transactions or traditional commerce transactions.

B2C

Example One: Buying a quart of milk at the local grocery store

Example Two: _____

Example Three: _____

B2B

Example One: _____

Example Two: _____

Example Three: _____

C2B

Example One: _____

Example Two: _____

Example Three: _____

C2C

Example One: _____



Example Two: _____

Example Three: _____

E-Commerce Goals and Models

E-commerce is not restricted to only one of the four ways described in the previous section. Although the models are described separately, more than one model can be used by a business. Many successful e-commerce businesses use a combination of these methods.

Big businesses such as Amazon have made the most of this by using a blended approach. They warehouse and ship directly to consumers (B2C). They also provide opportunities for businesses to sell directly to consumers with Amazon acting as a fulfillment/transaction center (C2C), plus Amazon sells directly to other businesses (B2B).

Test your knowledge

What could you offer through e-commerce?



Which model(s) would you follow?

Outline your goals for successful achievement of these plans.

Working in the Global Context

Bridging the Cultural Gap

Key Questions

Prior to undertaking international business, you'll need to assess your target country's potential to be your host. This requires that you answer some important questions:

- ✓ What languages are spoken there?
- ✓ What is the business climate like?
- ✓ What is the regional climate like?
- ✓ Are residents there open to new ideas?
- ✓ Do governments in your target area welcome new business?
- ✓ Are residents open to new ways of conducting business?
- ✓ Is the country stable in terms of political climate so that the business and employees are not put into unacceptable situations?

Looking at Culture

When people from different regions of the world work together to do business, they bring their own backgrounds, values, expectations, and ways of communication. All of these things are part of their **culture**.

In planning to establish a business somewhere else, it's essential that you develop a high level of awareness and knowledge of the culture in your target area. Bridging the cultural gap between you and other countries can run into significant complexity or it can be quite simple. It all depends on where you wish to operate.

Keeping an Open Mind

One of your goals must be to avoid any notion of **ethnocentricity** – the belief that one's own ethnic group or culture is superior to anyone else's. Many efforts have failed because leaders ignored some element of local culture and brought about a backlash from potential customers, their government, and others in the community. Success in global business requires developing **cultural literacy**, a commitment to functioning effectively within the target market.

It's important as you work your way through this course that you do so with an open mind, and a commitment to avoid ethnocentricity for yourself and your business operations. A good place to start is to consider what things you have in common across cultures, and to focus on similarities as a starting place rather than fixating on differences.

Stepping Over the Cultural Gap

Creating a Global Mindset

To help yourself and your employees develop a global mindset, there are several concrete strategies you can apply. These are important to help your employees successfully represent you at home and abroad.

Cultural Adaptability

People will need the ability to change their behavior in order to work effectively with people from other cultures. Learning about unfamiliar cultures and eliminating notions of stereotypes, bias, and racism are part of this development. One helpful strategy is to join organizations where members of the new culture will be present. Chambers of Commerce, associations, and networking communities can facilitate this.

If you focus on working with your managers who have a global mindset, they will be more capable at leading and working as part of multicultural teams on behalf of your company.

Bridging the Gap

There are large gaps that can become firmly entrenched if cultural literacy is not a goal. For example, Western ideas of leadership can be quite different from how Asian cultures lead. In addition, practices of different countries in the way they introduce people to one another, exchange business cards, and use color in their websites can vary widely. Developing your cultural literacy reduces these gaps and helps your company be more successful in your target areas.

Leveraging Testing

Building a global mentality isn't easy, and it becomes more complicated in some cultures than others. You can apply formal testing to measure the global attitudes of your managers and team leaders. A global mindset style of testing can measure a range of objectives, including an individual's openness, flexibility, and even their ability to implement strategy.

Testing can also identify areas where training may be needed. Learning to apply a global attitude can require managers to make some fundamental shifts in their thinking, as well as put aside cultural assumptions and biases.

Maximizing Flexibility

Each culture can apply pressure on the business, and it is inherent that managers and leaders show respect for everyone involved. You'll soon realize that respect is defined differently from one culture to

another. Western leaders working in the Middle East have to learn to work within a rigid hierarchy to achieve success. North American managers are typically groomed to be independent thinkers, whereas Japanese and Korean managers are accustomed to waiting for instructions and then acting on them.

Building Relationships

Creating meaningful relationships will help to develop the business, and it is with that goal in mind that you can teach your managers and leaders (in addition to yourself, naturally) to build strong connections.

Test your knowledge

What are some activities that you could use to get to know other cultures better?

What are some activities that you could use to get to know individuals in those cultures?

Debrief

Here are some tips for building relationships across cultural gaps.

Introductions

Be sure to use titles and proper forms of address, including “doctor” and “mister” or “miss.” Only address people by their first name unless you are invited to do so, and avoid the temptation to shorten their names (e.g. Elizabeth to Liz) or use nicknames.

Making Time

Time is something that is treated differently by different cultures. Certain cultural groups will arrive for appointments ten minutes ahead of time, while other cultures have a tendency to have a less rigid approach to time. As well, different cultures eat at different times, so you must plan accordingly and know if an evening meal is typically at 6:00 p.m. or at 8:00 p.m.

Personal Space

Culture reinforces what we find appropriate distance between two people. Middle Eastern and Latin American cultures maintain much less space than North American culture. In addition, some cultures are far quicker to hug in greeting or saying goodbye. Others do not touch physically at all, particularly men to women in handshakes. This may also affect proximity of seating in a meeting, and many other situations.

Religious Standards

Make sure you learn the main religions and their standards of conduct as part of your cultural learning. Set times for prayer are very important to some religions and need to be considered when setting up meetings or travel. Hugging, kissing, bare skin, bare feet, or having men in close proximity to women can upset religious practices. Be certain that your behavior and manners don't offend anyone.

Business Cards

Different cultures handle their business cards in very particular ways. Japanese culture is very formal about treatment of a business card, traditionally handing it across with two hands and a small bow. Some cultures appreciate that you acknowledge receipt of the card by giving it a good look over, or that you ask before you make a note on the card. Be aware of the expectations that exist where you're doing business.

Humor

When you are operating in a second or third language, you need to use humor cautiously. It often does not translate well, and jokes or slang are open to misinterpretation. In addition, you need to avoid using inside jokes (which only a limited number of people would understand), and using gestures or body language that might feel comfortable to you but mean something rude to other cultures.

Is There a Global Culture Developing?

Considering the Culture

As companies continue to expand their global reach and cultures become more and more intertwined, they influence one another. We see this on days where employees bring a dish of regional cuisine as part of a celebration lunch at work (often called a potluck or smorgasbord) and there are many influences behind the food that is supplied.

With the rapid pace of change and the interconnectedness of so many countries, enabled through easy travel to many parts of the world and inexpensive communication, is there a global culture emerging?

Test your knowledge

What signs do you see that a global culture is emerging?



How could this be a help in launching a global business?

How could this be a hindrance in launching a global business?

Do you see limits to the global culture?



Further Reading: