

Activity #1

Understanding e-commerce and e-business



Read the extract below and then answer the questions which follow.

In one of his AGM speeches for **General Electric**, **Jack Welch** made these comments about GE's adoption of e-business.

[...] Like the Amazons of the world, we started out with what we call 'e-Sell', primarily distributing our products on the Internet. Moving our traditional customers to the Web for much more efficient transactions has been very successful. And in 2000 we sold \$8 billion in goods and services online, a number that'll grow to \$20 billion this year, making this 123-year-old institution one of the biggest, if not the biggest, e-Business company in the world.

On what we call the 'e-Buy' side, we followed the same path, adopting many of the dot.com ideas on auctions, having a global network of Six Sigma suppliers. The concept of reverse auctions was right in the GE business context and we wasted no time in spreading the new technology across our businesses. We now run global auctions daily - \$6 billion worth last year, \$12 billion this year, generating over \$600 million in savings for the company in 2001.

But the biggest breakthrough of all was what we call 'e-make' and that didn't come from the dot.coms. They had little infrastructure and few processes. e-Make came from learning what the Internet could do for internal processes and seeing the enormous advantage Digitization can give a big old company that actually makes things, particularly one with Six Sigma methodology already deeply entrenched in its veins. By digitizing our processes from customer service to travel and living, we'll take over a billion dollars of cost out of our operations this year alone.

Last year I told you I believed e-Business was neither 'old economy' nor 'new economy', but simply new technology. I'm more sure of that today. If we needed confirmation that this technology was made for us, we got it. GE was named last year 'e-Business of the Year' by InternetWeek magazine and awarded the same title last week by WORTH magazine.

Digitization is, in fact, a game changer for GE. And, with competition cutting back because of the economy, this is the time for GE to widen the digital gap, to further improve our competitive position. We will do that by increasing our spending on ICT by 10% to 15% this year despite the weak economy [...].



Questions

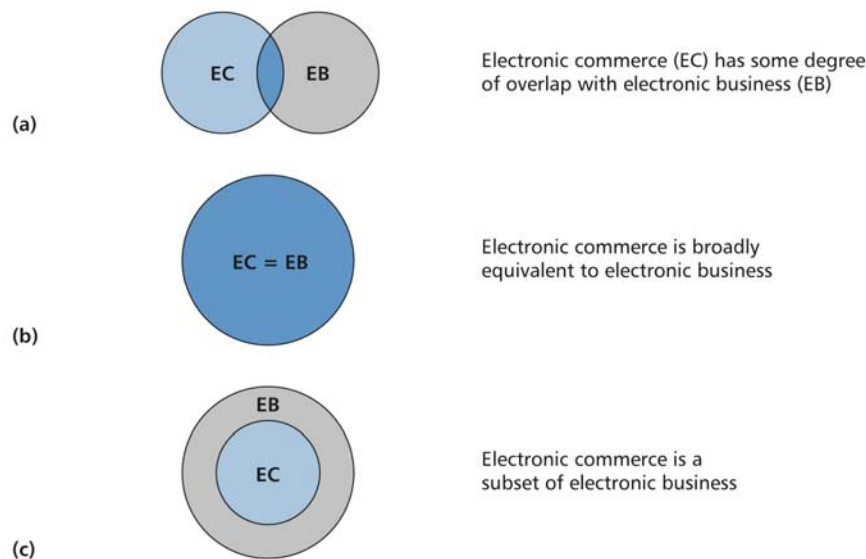
1. Identify the different generic components of e-business described in this speech, determine their general functionality and assess their relative impact on the organization.
2. Where do other 'e' terms such as e-CRM, e-marketing, e-logistics, e-procurement, e-tail fit within this description?
3. Assign each identified GE's eBusiness component to one or more value chain activities (if you don't know the *value chain concept* try the link <http://www.netmba.com/strategy/value-chain/>).

New concepts

A **reverse auction** (also called **procurement auction**, **e-auction**, **sourcing event**, **e-sourcing** or **eRA**) is tool used in industrial business-to-business procurement. It is a type of auction in which the role of the buyer and seller are reversed, with the primary objective to drive purchase prices downward. In an ordinary auction, buyers compete for the right to obtain a good. In a reverse auction, sellers compete for the right to obtain money (by providing a good or service).

Six Sigma is a rigorous and disciplined methodology that uses data and statistical analysis to measure and improve a company's operational performance by identifying and eliminating "defects" in manufacturing and service-related processes.

4. What do you think, which picture does describe the best the relationship between e-business and e-commerce concepts? Use information from the excerpt to explain your point of view. List a few GE activities that may be classified as e-commerce and e-business.



5. Prepare the list of insights related to e-business you have gained from the excerpt and introductory lectures by finishing the following sentences:

- When looking at firms from the New Economy perspective, they can be divided into the following groups: *your answer*
Here should be your short description of each group

- When evaluating e-Business impact on organization it may be useful to think about three areas of application: *your answer*

The first area called *your answer* is responsible for *your answer*

The second area called *your answer* is responsible for *your answer*

The third area called *your answer* is responsible for *your answer*

- The e-make component is especially important for *your answer* type of organizations. The reason is that *your answer*.
- When trying to determine how e-Business can improve internal operations of the firm one can use *your answer*.
- The goal of using value chain model is to *your answer*
- E-Business is also enabler of new business models. In case of GE it is *your answer*.
- It was not possible to build such business model in Old Economy context because *your answer*.
- The *name of business model you identified* is very effective market mechanism of price

determination because *your answer*.

- The *name of business model you identified* may provide organization with lower prices for materials bought because *your answer*.
- E-Business when properly applied may be a source of notable benefits. (see Activity 2)

New concepts

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|-----------------|--------------------------|
| ✓ E-business | ✓ Dot.coms |
| ✓ E-commerce | ✓ Value chain model |
| ✓ E-procurement | ✓ Value chain analysis |
| ✓ E-CRM | ✓ Dynamic pricing models |
| ✓ E-Tail | ✓ Internet auction |
| ✓ E-Marketing | ✓ Reverse auction |
| ✓ Bricks&Mortar | ✓ Sell-side e-business |
| ✓ Bricks&Clicks | ✓ Buy-side e-business |