E-Business Supply Chains

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The information age is marked by the proliferation of on-line commerce or e-commerce. E-commerce relies greatly on the internet, and operates on its intrinsic global reach. As such, the new channels and new markets are opened, requiring businesses to consider aspects that were not presence in non-online commerce. The online environment presented new opportunities and challenges to business-to-business (B2B) commerce and business-to-consumer (B2C) commerce. There are some commonality between operations and behind-the-scene activities in online B2B and B2C, owing to the nature of the internet. Nevertheless, online B2B supply chain and online B2C supply chain are significantly different, similar to differences between their non-online counterparts. The huge number of products that need to be transported due to the international nature of the internet requires B2B and B2C supply chains that can handle such large traffic and tremendous logistics challenges, and B2C and B2B supply chains have developed characteristics that make them significantly different from each other. This paper provides an overview of online B2B and B2C supply chains, and discusses the differences between the two.

The supply chain is one of the most important aspects of business. Deardorff's Glossary of International Economics defines supply chain as “[t]he sequence of steps, often done in different firms and/or locations, needed to produce a final good from primary factors, starting with processing of raw materials, continuing with production of perhaps a series of intermediate inputs, and ending with final assembly and distribution” (Deardorff, 2001). In a purchase of a product, for instance, the supply chain can be traced back to the raw materials used by the manufacturer of the product. The finished product is then transported to and through distributing organizations or departments, then to the store.

Business-to-consumer commerce involves transactions between a business organization and a consumer, especially an individual buyer. B2C e-commerce has now flourished, and one could find countless websites doing B2C online, offering products and services through the internet. Such websites include amazon.com, wal-mart.com and ebay.com. There are also many companies that offer services online, such as banking and finance, travel, medical consultations, real estate management, as well as online magazines and libraries (Patton, S., 2001). On the other hand, business-to-business commerce is characterized by the business organizations doing transactions with each other. In terms of e-commerce, B2B involves companies making purchases or products or services through the web sites of other companies. The system now involves an expanded supply chain and the management thereof, and involves a lot of outsourcing to other companies in areas around the world (Varon, E., 2001).

B2B and B2C e-commerce supply chains are significantly different because of the very nature of the transactions – between a business organization and consumers, versus that between business organizations. These supply chains are similar to their non-online or brick-and-mortar commerce counterparts. One of the main differences between B2B and B2C e-commerce supply chains is the number and size of channels involved in the "chain". In a B2C e-commerce supply chain, the main entities involved include the manufacturer or service provider, the consumer, and all the distributing entities (wholesalers, retailers and "middle men"). In the case of a toy purchase, for instance, the supply chain starts the toy manufacturer, proceeds to a wholesaler, an online retailer, who then either delivers the toy to the consumer or enlists the services of another company to have the toy delivered. There are many entities involved, implying many channels, but the magnitude or size of the channels are considerably smaller, since they handle only the distribution of the product. In contrast, in a B2B e-commerce supply chain, the main entities involved are limited to business organizations and, occasionally, a middle man who makes sure that transactions between the organizations run smoothly. For example, in manufacturing an electronic device, the manufacturer (company A) would need raw materials from another company (company B). The raw materials would be purchased or ordered for delivery from company B to company A. The supply chain would involve the two companies making transactions online, or the two companies connected through a third entity (the middle man) who maintains a web site through which company A can purchase raw materials and through which company B can sell its materials. The result is a supply chain that has a smaller number of entities, but the channels among them handle more materials or products and handle materials that are still to be transformed into the final product.

Another important difference between B2B and B2C e-commerce supply chains is integration. In B2B e-commerce, businesses are integrated into each other's system to ensure that materials or products are delivered from company to company without delays and other problems. The two companies (as in the previous example) can integrate supply chain information online through an exclusive website, or make use of the services of another company to integrate the information. Such information can include deadlines, inventory and accounting, as well as requirements specifications. In contrast, B2C e-commerce does not need such integration, since consumer transactions can be random or sporadic.

References

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