Interorganizational Commerce

Defining Electronic Commerce

- Electronic Commerce is the application of Information Technology to conduct business between and across organizations.

  “Transforming the enterprise through the strategic application of Internet Technologies”

What is Interorganizational Commerce?

- Electronic communication between the firm and its environment.
- Includes all forms of communication depicted in the EC model, but restricted to communication between a firm and its environment.
- One-to-one, one-to-many, and many-to-many communications

Why Interorganizational Commerce?

- Reduce costs
  - Decrease the cost of processing transactions
- Reach new markets
  - Reach new customers and suppliers
- Improve service
  - Speed up delivery of products
- Sell new products
  - Can compete in different product markets

Agenda

- What is Interorganizational Commerce (IOC) and why all the interest?
- Types of IOC?
- Electronic Data Interchange
- Electronic Funds Transfer

Overview of E-Commerce

Electronic Document Interchange

Electronic Data Interchange

Electronic Funds Transfer

Information Sharing

Electronic Messaging

Electronic Publishing

E-commerce

Customer Support

Marketing

Electronic Commerce

Electronic Messaging

E-mail

Fax
**Types of Interactions**

- Two basic types of interactions should be considered:
  - between two or more firms
  - between firms and consumers

- Examples of interactions:
  - GM purchasing water pumps from a supplier
  - a customer obtaining real-time, personalized service in a chat room, ordering golf clubs online

**Two or more Firms**

- Key factors to consider
  - what does your firm hope to gain?
    - is it an offensive or a defensive application?
  - private, restricted or public network

- Issues
  - Specific or general?
  - Who sets the standards?

**Firms & Consumers**

- Key factors to consider
  - what does your firm hope to gain?
    - is it an offensive or a defensive application?
  - what does it take to implement the system and what are the risks?
    - technical and organizational risks

- Issues
  - Potential size of the market
  - Real technological problems

**Electronic Data Interchange**

- The computer application to computer application communication of business information in a standardized form to enable business transactions to be executed.
Interorganizational Commerce

Information Flow without EDI

Buyer
- Purchase request initiated in the Organization
- Finance Department
- Paper-based Mailroom
- Receiving Department
- Shipping Department
- Manufacturing Department
- Inventory and Warehousing

Seller
- Bill
- Order/Confirmation
- Sales Department
- Paper-based Mailroom
- Receiving Department
- Shipping Department
- Manufacturing Department
- Inventory and Warehousing

Information Flow with EDI

Buyer
- Purchase request initiated in the Organization
- Finance Department
- EDI Capable Computer
- EDI Capable Computer
- Purchasing Department
- Order Details
- Billing Details
- EDI Capable Computer
- EDI Capable Computer
- Purchase Order

Seller
- Finance Department
- EDI Capable Computer
- EDI Capable Computer
- Shipping Department
- Receiving Department
- Order/Confirmation
- Sales Department
- Paper-based Mailroom
- Receiving Department
- Shipping Department
- Manufacturing Department
- Inventory and Warehousing

Benefits of EDI
- Better service
- Reduced inventory
- Reduced paper
- Expanded customersupplier base
- Better record keeping and processing
- Reduce cycle time

Electronic Funds Transfer
- Electronic Transmission of payments and remittance information between a payer, payee and their respective banks
- Benefits
  - Reduced cost
  - More timely
  - Improves accuracy
  - Reduces paper

Deposit & Clear Scenario

Payer
- Place order
- Payee’s bank
- Payer’s bank
- Credit payer’s account
- Endorsed check, deposit
- Check, invoice
- Process order
- Statement
- Endorsed check, control document
- Check, invoice
- Payer’s bank
- Debit payee’s account

Payee
- Payee’s bank
- Credit payee’s account
- Electronic funds transfer (EFT)
- Statement
- Check, invoice
- Invoice
- Post payment
- Remittance advice report

Funds Transfer Scenario
**IOC Standards**

- Financial transactions
  - debit, credit, or electronic cash transactions
- Securing transactions
  - public & private key encryption
  - digital signatures
- Multiple standards?
- Transparent to parties involved?

**Factors Affecting Growth**

- Perceived security
- Ease of use (transparency)
- Number of online parties
- Cost
- Telecommunications in other parts of the world

**Summary**

- What is IOC?
- Why the sudden interest in IOC?
- How do transactions between firms & between firms and individuals differ?
- EDI & EFT
- How does “What happens with standards” affect the evolution of EDI?