TECHNOLOGICALLY SPEAKING

e-Commerce: understanding the hype!

by Dr Iain Barton

Even when involved in the industry, you have to pinch yourself every now and then to believe that the current hype around electronic commerce is not unreal. It has become impossible to read a business newspaper or magazine without being bombarded by facts, figures and projections of how this concept will rule the world! Incredible stories of a zillion percent market growth, of the imminent demise of huge corporates who ignored the signs and even the local lad makes good story of a Capetonian in his mid-twenties who sold his two-year-old business with a dozen staff for over three billion rand! (a cool R1,25 million per day interest on fixed deposit!).

It must be acknowledged, however that many e-Commerce ventures have already come and gone with some extremely expensive school fees being paid. So what do you have to know to understand this monetary minefield and arrive at a logical business assessment of 'get in now/wait and see/forget if?'

First some basis concepts and technology understanding are required.

Electronic trade is divided into a number of categories and it is these that cause much confusion.

Business to Business

Business to Business (B-to-B or B2B) refers to electronic trade between companies, CCs or corporates and can even refer to trade between departments within those corporates. The value of each trade is large and the whole transaction is underpinned by a trusted relationship between businesses that already know each other, or can use normal credit checking and trade references to check the other guy out.

It is the scenario where you as a Pharmacy buy on-line from a wholesaler. The relationship uses normal business rules and exploits the computer technology to achieve cost savings in the flow of information and to allow the wholesaler to reach new clients quickly and efficiently with minimal additional cost. In short, high value, low risk, business as usual with flashing lights and lower costs.

About the author

Iain Barton MB ChB (UCT), Dip Obst (SA) is a reformed Dispensing Doctor! Since leaving practice in 1997 Iain has concentrated on developing logical front end solutions for healthcare professionals and currently runs orderpharm.com and the Lateral Connection.

Business to Consumer

Business to Consumer (B-to-C or B2C) is the minefield! Here you have somebody that you've never heard of from Honolulu coming onto your site via an Internet Service Provider in Panama and using a credit card from the Bank of Germany to order R50 of goods! The risks are numerous. Who is he? Does the credit card belong to him? Do you accept Bank of Germany cards? And even when all these answers are yes, at what stage after he has received the goods can he reverse the payment and tell you to come and fetch your stuff!

Beginning to understand the reason that B2C gets so much bad press!

B2C is undeniably the opportunity of the future and market gain’s currently predict that B2C will exceed B2B by mid-2005. And then the traditional retailer who has ignored e-commerce is in trouble!

The mountains to climb in B2C are all about security and banking and the ability to digitally certify that someone is who they say they are. That's what the Cape Town chap managed to do and hence the reason someone paid him a bucket of money to go and sit on the beach!

The 'Converted Consumer'

I use the term 'Converted Consumer' to refer to the B2C transaction between a business and its regular consumer client, who may or may not actually have an account with that business. Every pharmacy has a huge number of consumer clients who have been customers for a number of years and have accounts and pay 'regularly'. These are not traditional B2C relationships. They in fact follow the rules of B2B with considerably lower risk, hence the term 'Converted Consumer.'

The e-Commerce Tripod

All stable platforms have at least three legs and
e-Commerce is no different. Most people see e-Trade as a website on which you can place orders. Unfortunately, many vendors thought the same and so have lost loads of money and seriously disappointed millions of early adopter consumers.

The e-Commerce tripod has an on-line Catalogue and Order interface as one leg, linked to a dependable warehousing stock management and fulfillment process as a second, with a third support of a secure payment mechanism. IT, Logistics, Banking — miss out one and you have nothing!

Building a so-called 'e-Commerce platform' where the client can see a product on the web and click together a basket of goods is really a no-brainer these days — your twelve year old could probably do it with software downloaded from the Internet!

The sophistication of true e-Commerce comes in linking that into IT systems that will ensure that there will be stock to fill you order, providing a trusted logistics process that will ensure safe, effective and prompt delivery, backed up by a reliable financial institution that will transfer the funds between the parties securely and only once.

**The medium term**

The immediate future and the currently profitable area of e-Commerce is B2B — safe, secure electrification of existing business relationships. B2C is the face of the future and currently an extremely marginal business. You have to hold a lot of auctions to pay for the ad campaigns some guys are running!

But how about a business, with a huge group of ‘converted consumer’ existing clients who you know, who all use credit cards from banks where you know the Viagra dosage of the manager, all backed up by your own delivery guy on his scooter?

Just a thought!

**Risks of B2C e-Commerce**

- Unknown customer
- Unknown bank
- Unverified link of customer to card
- Unverified link of customer to delivery address
- Stock available?
- Returns policy?
- Exchange control fees?
- Delivery fees?
- Reversal of bank transaction (Repudiation up to 180 days!)

**The converted consumer**

- Well known customer
- Well known bank
- Verifiable link of customer to card
- Verified link of customer to delivery address
- Known stock available
- Standard returns policy
- Owned delivery process

**The e-Commerce tripod**

- Electronic cataloguing of product, stock and order status
- Integrated, trusted logistics and fulfillment
- Integrated, trusted payment gateway

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