

B2B E-Commerce Players in India Adopt BPO Models—A Case- Based Study

Ranjit Goswami (Ranjit.goswami@gmail.com)

S K De (drskde@vgsom.iitkgp.ernet.in)

B. Datta (bd@vgsom.iitkgp.ernet.in)


Indian Institute of Technology, Kharagpur

***Abstract.** India is an established global leader in IT, ITES and BPO sectors due to the various global and local developments over the last decade. The similarities in technology and capabilities, and the clustering tendency of these sectors should have led India to the position of global leadership in e-commerce as well. We find, on the contrary, Indian e-commerce sector does lag behind its global counterparts, and also its domestic peers engaged in IT & BPO sectors. In this case-based study, we focus on the evolution of business models of the firms engaged in e-commerce in India, and map them against established e-business and BPO models. We find that B2B e-commerce players in India are increasingly adopting BPO business models in the areas of procurement and disposal services. We also ask pertinent questions on scalability of the BPO models that Indian e-commerce firms increasingly adopt.*

Keywords : *E-commerce, BPO, India, Business Models, Adoption, B2B*

This paper, due to lack of authentic data in Indian Internet and e-commerce (EC) space, examines cases from Indian EC sector to explore more the 'how' and not the 'why' query in investigating relative position of Indian EC firms in the global landscape. Surprisingly, Indian EC players are nowhere near the scale of global EC players, whereas in other two related technology areas – in the broad Information Technology (IT) and ITES (IT-Enabled Services) areas, Indian players increasingly occupied, and continue to occupy global center-stage.





We acknowledge that content in the websites of these studied firms do change continuously in a dynamic manner in this fast evolving industry. Having acknowledged that, the core business model, and the trend of shift mostly remain intact. The paper therefore is more of a snapshot picture of Indian B2B EC firms in late 2006/early 2007.

We also acknowledge that the cases selected for this study may not be representative of Indian e-commerce space as such; and do not include popular portals or the new-age Web 2.0 applications (the latter being more of a 2nd wave of Internet, while our study focused on the 1st wave, that too in the B2B domain).

Background Check

India's Share in World BPO Market

Contrary to the scales and growth achieved so far by both IT and BPO sectors in India, Indian e-commerce players are yet to achieve that benchmark or thereby get similar global recognition. Indian BPO firms garnered \$2 billion of offshore BPO market out of \$3 billion in 2004, and same share in 2007 is expected to be \$13.8 billion out of global offshore market of \$24 billion (Gartner, 2003). As per Gartner estimates, Offshore BPO market in 2007 would account for 14% of overall BPO market (\$134 billion).

Compared to the above, a review of Indian EC space speaks of no such achievements. To quote from a blog (Anurag Gupta, 2006):

'There is no Indian Internet brand which has either gone global or shaken the Internet world by sheer innovation. Why is that despite having a talent pool of good technology & business professionals and despite VC/PE (Venture Capitalist/Private Equity) money chasing Indian Internet business ideas we do not have even ONE global internet brand! More so, when the playing field is really level in the digital world—after all isn't that what internet is all about? Forget about creating a global brand, where is India's answer to China's Alibaba or Sohu, which can get a Google or Yahoo to sit up and take notice.' Echoing a similar voice, another article in The Web Developer's Journal (Govil, 2000) reported only three Indian internet companies listed on NASDAQ whereas the comparable figure from tiny Israel was 97.

This paper examines what leading B2B EC firms in India are focusing at in the background of this anomaly, first to survive and subsequently to catapult them into the global league. At the same time, we also examine scalability and

likelihood of success of their evolved business models, which increasingly attune to BPO framework as per our findings.

As companies operating in a sophisticated market, where there is a large and profitable group of customers, have an advantage over firms operating in markets that lack this sophistication (Javalgi et al., 2004), IT and BPO players in India representing one end of ICT revolution have shown excellent performance by focusing on overseas lucrative markets, while Indian e-commerce players focusing on domestic business opportunities increasingly struggled for that elusive growth. Be it B2B or Business-to-Consumer (B2C), EC firms from India never had the critical access of end customers of large lucrative markets. Combined with that, there was an alarming demise of B2B independent players globally as old-economy players, independently and collaboratively, regained their control over their respective supply chains (BusinessWeek, 2000). It is true that old economy manufacturing enterprises never lost their supply-chain controls to upstart web-enterprises, other than in hypes and in possible potentials, which never materialized as such. Along with that, overall Internet penetration and associated infrastructural growth lacked for domestic Indian EC to take off in a big way (Balakrishnan, 2001), be in B2B or B2C. At the same time, several centripetal forces explain the tendency of ICT industry to cluster geographically (Kolko, 2002; Maignan et al., 2003), explaining the additional mushrooming of EC firms in India, more in line with the wave of dot-com proliferations as found in Silicon Valley leading to unhealthy hyper-competition in a market that wasn't ready for so many players.

In this paper, we have considered four leading Indian cases, three of which are from pure B2B and another one primarily from B2C/C2C (Business-to-Consumer/Consumer-to-Consumer) that delved into B2B temporarily as a result of technology diffusion, and market opportunity. In all these cases, we examined the B2B side of business of these EC firms. We explore evolution of business models of these four EC firms in light of inadequate domestic market opportunities, and find all of these firms offering services like Procurement Service Providers (PSPs) and/or Selling Service Providers (SSPs) by flagging its auction engine. What we find in this study is an overall trend of B2B EC firms adopting business models of BPO and ITES, which we consider to be more of a reactive step in the wake of lack of revenue growth in key EC areas (focusing on innovations and new products is minimal).





Lack of Authentic Data

The major obstacle to any EC research in India happens to be lack of authentic data. However, as authentic, 3rd party verified and agreeable neutral data for e-commerce players is not available in India (evidences on this are provided here, as widely different data were found from different sources, unlike that of even BPO or, more so for matured IT firms), we studied the services offered by these EC players as presented in their web sites, and based on the definition we adopted for e-commerce and BPO in our work, we categorized those services in the respective domains of EC and/or BPO. To evaluate the maturity of the BPO models as adopted by these EC firms in their evolutionary journey so far, we apply stages of growth model (Nolan, 1973; Gibson & Nolan, 1974; Nolan 2001).

This paper focuses on all the three categories of e-commerce firms (Business, Consumer and Government as we know them in their 1st wave, prior to web 2.0), local and global players operating primarily in India, start-up firms to old-economy e-arms in their different degrees of BPO focus –

- a. Global e-commerce players outsourcing/exploring outsourcing opportunities of key backend functions from their Indian e-commerce subsidiaries,
- b. Large old-economy Indian companies outsourcing from their newly set-up e-commerce arms, and
- c. Neutral entrepreneurial Indian net start-ups repositioning to get a pie of the ever-broadening BPO market.

In all these cases, what we found is that these EC firms have either adopted BPO as 'another of the many' focus areas (in cases of global outsourcing from Indian subsidiaries), or 'the focus' area, where the 'e' part merely acts as an enabler in the outsourcing process (as seen in the space of procurement outsourcing or in disposal services).

E-Commerce in India: Reality Check Reveals Need for Flexibility

The problem faced in carrying any research on Indian e-commerce even in 2006 is that of lack of reliable, authentic data. Wide variations are reported by different studies conducted at the same time period, and many of the privately held firms engaged in EC also show the tendency to inflate their numbers (Rediff, 2004; AsiaWeek, 2000) to claim leadership positions. We highlight some of these numbers just to showcase the futility of carrying research with any of these sets of numbers.

According to a study of eStatsIndia, for the year 2005-06, Indian e-commerce market size (B2C and B2B combined) is Rs. 4100 crores (approximately \$0.9 billion). B2C accounted for Rs. 1759 crores major categories within B2C being retail (Rs. 150 crores), job-related matchmaking services (Rs. 135 crores), E-greetings (Rs. 12 crores), ISPs (domain booking and other related services excluding hosting, Rs. 10 crores), matrimonial/dating matchmaking (Rs. 40 crores), travel/ticketing (Rs. 750 crores), Internet-based advertisement (Rs. 162 crores), online broking (Rs. 500 crores). These figures were billing information (revenue) and therefore transacted value, other than a few categories, was expected to be much higher. Clearly the largest three B2C segments were travel/ticketing related e-commerce where dominance by IRCTC (e-booking arm of Indian Railways) and lately the booming Low Cost Airlines (LCAs) fueled this growth, followed by online broking due to a nationwide interest in booming financial markets. A separate study by FICCI-PricewaterhouseCoopers (PwC) on the Indian media and entertainment industry estimated internet-based advertisement to be around Rs. 100 crores in 2005-2006.


In the B2B space, eStatsIndia figure for 2005-06 was around Rs. 2500 crores overall (transacted value) which, in turn, is expected to grow at a little more than 50% and touch Rs. 13,550 crores by 2009. This figure seems to be excluding Government related e-procurement figures. C-1 India Ltd, which partnered with Government of Andhra Pradesh (GoAP) in the pioneering e-Governance initiative said that e-procurement by GoAP alone was in the tune of \$3.5 billion for 2004-2005 and \$3.7 billion for 2005-06. C-1 India claimed to have conducted cumulative e-procurement of more than Rs. 25,000 crores so far (c1India.com). The inconsistency amongst various reports and lack of clarity within them makes it difficult to accept any of them as the basis for serious research.

The lack of authentic audited financial data in Indian e-commerce space with most of the firms being privately held, makes it difficult to conduct research on effectiveness of business models in terms of publicly available financial numbers. As the industry comprises mostly start-up dot-com genre, a degree of exaggeration in reported figures expectedly was found (Rediff, 2004; AsiaWeek, 2000), and therefore, we anticipate that any primary research directly with the players also may not capture correct financial/industry perspectives.

Internet User Base and Teledensity

We also took a look at the Internet user base in India, foundation for any





e-commerce, and found discrepancies here too. A part of that discrepancy can be explained due to different definitions and its various direct and indirect measures. eStatsIndia expects internet user base by 2006 end to be at 30.5 million (around 3.1% of Indian population), whereas phone penetration is around 180 million (including landline and mobile which incidentally doubled in last two years, and mobile growth rate in India happens to be the highest globally) and computer penetration is at 15 million (BBC News, August, 2005) and having yearly sales 4.61 million (for 2005-2006), growing at 27% year-on-year. The BBC report in turn suggested five million net connections, which again is growing fast due to massive broadband roll out by all major telecom players.

Whereas as per Internet World Stats, there were 60 million Internet users in India (representing 5.4% of the population) in September 2006, it was 50.6 million in 2005 (4.5%). From a figure of 5 million back in 2000, India's Internet user base has increased by more than 1100% in six years, which effectively means a CAGR of almost 50%. (Internet World Stats, September 2006). However, as in the definition of e-business and e-commerce, 'internet user' also means different things to different agencies. It is interesting to note the following definition (Internet World Stats, 2006):

“Before we can measure or forecast Internet Usage, we must first answer a basic question: What is an Internet user? Research firms, analysts, consultancies and other sources all disagree on how to answer this seemingly simple question. The International Telecommunication Union (ITU) subscribes to the definition of an Internet user as someone aged 2 years old and above, who went online in the past 30 days. The US Department of Commerce, in contrast, defines Internet users as those 3 years or older who 'currently use' the Internet. The China Internet Network Information Center (CNNIC) defines the Internet user as a Chinese citizen, aged 6 or above, who uses the Internet at least one hour per week. Other market researchers have their own definitions.

We (Internet World Stats, IWS) believe that a definition must be as general and as simple as possible. For analyzing and comparing Internet users on a global scale, IWS adopts as its benchmark a broad definition and defines an Internet User as anyone currently in capacity to use the Internet. In our opinion, there are only two requirements for a person to be considered an Internet User:

- a. The person must have available access to an Internet connection point, and

- b. The person must have the basic knowledge required to use web technology.

That's it. No need to make complex something that is really quite simple. In many Third World countries, one same Internet connection may be shared by many individual users. Due to this reason, Internet users might outnumber the amount of Internet access subscribers and also outnumber the telephone lines available in each country.”

According to the Internet and Mobile Association of India (IAMAI) and IMRB International, Internet users in India have reached 37 million this September (2006) - up from 33 million in March 2006. "Active User" as per this study is defined somewhere in same line with ITU norms above without any minimum age specifications.


In another study taken up by IOAI (Internet & Online Association of India, Exchangeformedia, 2006) and Cross-Tab, a leading online market research firm based in India, it was estimated that internet user base was around 25 million in India in (around) middle of 2006.

So, like revenue from e-commerce to its user-base, we see wide discrepancy in figures between different research reports in measuring internet users in the country. A few more estimates, other than above and as given in New Media Review (as provided by the European Travel Commission on internet user base in India, 2006) is given below. The sole objective of presenting these widely different figures is to highlight the need of flexibility in e-commerce research in India in the lack of genuine data (along with couple of other sources as stated above):

- a. eTForecasts (September 2004): 37.0 million—more in line with Internet World Statistics.
- b. PricewaterhouseCoopers (July 2004): 30.0 million
- c. eMarketer (April 2005): 21.3 million
- d. Economist Intelligence Unit (February 2005): 15.7 million
- e. CIA World Fact Book (December 2006): 60 million
- f. TRAI (Indian Govt.) figure on subscriber base (June'05) = 5.9 million (subscriber, and not user)

In spite of the dynamic nature and challenges, and different reports coming at different times, discrepancies were found in all aspects of statistics





and numbers in the Internet economy in India, much exceeding what is to some extent true in the global context as well.

All of above demanded a flexible research methodology to understand comparative performance analysis of EC players against BPO firms, and subsequent analysis of EC business models and its success in generating revenue, and evolution of these business models in the context of local and global opportunities and challenges.

Definitions

The definitions of an IT company, an ITES one, a BPO one and an e-commerce firm increasingly get marred with technology being the greatest common driver in all the four categories. Our focus primarily being on B2B e-commerce industry in response to their underperformance to BPO, we limit our definitions to BPO and EC. In both, we adopt a broad 'inclusive' definition due to inherent challenges. Gartner (2002) defines BPO as:

“The delegation of one or more IT-intensive business processes to an external provider, who, in turn, owns, administrates and manages the selected process(es), based upon defined and measurable performance metrics”.

Service providers be it Information Technology (IT) firms, Business Process Outsourcing (BPO) companies or e-business service providers—are focusing more on delivering services to their constituents using latest available technology (in majority cases within open source domain), and focusing less on development of technology per se. IT-enabled services are fueling BPO, and more and more end-to-end integrated service providers have been emerging. The key differentiating line is in ownership and management of those often-repeated regular business processes; unlike the unique models of B2B EC (as we subsequently see) firms or IT players managing and delivering IT projects. Both EC players and the IT players, as per definition, do not own the often-repeated regular business processes, although firms increasingly expand horizontally and offer end-to-end solutions to their clients through their BPO arms. The key difference here is in ownership.

Following this definition, Gartner classified BPO firms into five broad segments: BPO Pure-Plays, IT Outsourcers, Consultants, Process Specialists, and Other Players (Gartner, 2001).

E-Business, on the other hand, is defined as a business model and focuses on the support of processes and relationships between business partners,

employees and customers by means of electronic media (Schubert and Hausler, 2001). Based on another definition of IBM (IBM incidentally happened to be one of the first to use the term e-business, when, in October, 1997, it launched a thematic campaign built around the term, 'e-business'. IBM considers the development of intranets and extranets to be part of e-business, see whatis.com.) Hooft and Stegwee (2001) defined e-business as a secure, flexible and integrated approach to delivering differentiated business value by combining the systems and processes that run core business operations with the simplicity and reach made possible by Internet technology.


Expectedly, like e-business, the definition of e-commerce is also varied and has evolved over time. Till date, researchers have not been able to agree on a conclusive definition of e-commerce. Prior to the acceptance of above (and similar other) definition of e-business, the term e-business and e-commerce were often referred interchangeably. Kalakota and Robinson (1999) created the differentiating line by terming e-business as the function of deploying technology to maximize customer value whereas e-commerce as the function of creating exchange (i.e. transaction driven, buying and selling) over digital media. Extending that line of definition of e-commerce, we adopt an inclusive definition of e-commerce from Mesenbourg (2001) as follows:

“E-commerce is usually associated with buying and selling over the Internet, or conducting any transaction involving the transfer of ownership or rights to use goods or services through a computer-mediated network”.

Definition of Internet economy: The Internet economy; on the other hand is much broader and includes e-business, e-commerce and much more. As IT, ITES, BPO, e-business and e-commerce all increasingly draw from this Internet economy; a definition of Internet economy also becomes relevant, if not necessary in our studies. We defined Internet economy as one adopted by e-ASEAN Task Force (2003):

“The Internet economy pertains to all economic activities using electronic networks as a medium for commerce or those activities involved in both building the networks linked to the Internet and the purchase of application services such as the provision of enabling hardware and software and network equipment for Web-based/online retail and shopping malls (or “e-malls”). It is made up of three major segments: physical (ICT) infrastructure, business infrastructure, and commerce.”





Having looked at these definitions of BPO, e-business and e-commerce (EC) and that of broader Internet economy, we study select Indian firms categorized in EC space since their origin with 1st wave of dot-com boom, and examine their business models with the objective to understand evolution of EC business models in India, more from the background of EC relatively underperforming in India compared to BPO sector.

Method and Results

The paper sums up with a comparison of competitive positions of four Indian EC firms in their BPO adoption against client-specific five key points, to build long term trust with their clients by following a model (XICOM Technologies, BPO Business Models) in general applicable for BPO firms.

In this paper, we identified four start-up cases based on different B2B categorizations and business models these EC firms followed since their inception. These four EC players had collective presence in all three broad marketplaces of operations (Business, Consumer & Government) and presented multiple dimensions from business models context.

We started our sampling from two sources of population, one as given by eStatsIndia in its best Indian selections on the web for the year 2005 that ranked 38 independent EC firms across 12 segments, which included six B2B EC players across two categories, namely (I) Net Marketplace and (II) B2B e-procurement. The other source is based on a report in Express Computer (through Wipro site), which was also to ensure consistency and validity of both the two independent reports. The criteria that applied for selecting the samples are not beyond subjective flexibility; however as no relevant source with exhaustive population listings were found for 2005-06 years, we felt the sample to be appropriate for our studies. The necessary and sufficient conditions these samples met are:

The firm must be a start-up firm. It thereby excluded few EC firms as they operated as a division within a large established company, and thereby not being a start-up firm by our definition.

The firm should have focus in B2B. Applying this criterion, eBay.co.in does not qualify for our selection; however, while carrying out basic research on all these entities of the available population, we discovered baazee.com (the earlier avatar of eBay.co.in) having its presence in B2B set-up, although marketing campaign focus was on B2C/C2C. The B2B division was subsequently closed down to have synergy with eBay globally, after eBay

acquired Baazee. This presented an opportunity for us to study how global acquisition affects local business models. Studying this firm also helped us focus on pure play e-commerce (B2C) other than the B2B side, and also on how global consolidation wave, which was one of the drivers for mushrooming 'me too' models all over the world, had its impact on Indian e-commerce space.

As Indian B2B is significantly affected by Government policies - Government being a major buyer as well as the owner of many state owned business enterprises - we wanted to study the case of e-procurement of Government of Andhra Pradesh (GoAP), which is often projected as a pioneering success story. This was more of gap-identified entry as other than C1 India, no other EC firm in our sources of population was actively involved with Government in implementing various aspects of e-governance, in spite of C1 India being privately held (another studied case, metaljunction had public sector backing in terms of ownership). C1 India also showed a case of Public Private Partnership (PPP) in the e-Governance side.

Finally, based on above parameters, we wanted to present maximum diversity in selected four samples, even from relative strengths they achieved over their years of operations. We wanted none of the models to be an exact replica and 'me too' model of the other starting from ownership, business model and organizational maturity perspectives. However, diversity here didn't stop firms to have uniformity in services when it came to BPO focus as found out through their PSP and SSP operations.

The four cases selected for our study based on above criteria are:

1. metaljunction.com (MJ)
2. indiamarkets.com (IMO)
3. C1India.com (C1India)
4. Baazeeb2b.com (this website is not functional any more, nor baazee is, after its acquisition by eBay when the B2B division was closed down, and baazee eventually became eBay.co.in).

We categorized these four studied cases in terms of ownership, category, services offered, revenue model and BPO focus in Table I.



Case Company	Promoted by	Category	Services offered	Revenue Model	BPO focus
Case Company (with coaljunction, retailjunction and commercejunction)	Industry sponsored (by two leading industry players)/collaborative effort	B2B, Steel/commodity vertical on sell side, reverse-auction based price-discovery on buy side. Lately in B2C in steel space and in e-Procurement solutions	Auctioning of steel and coal. Procurement services also, e-Procurement solutions. PSPs* and SSPs# to clients/promoters . Auctioning of 2nd-cars	Primarily Transactions based and/or auction event	On-site and off-site BPO focus - focus on BPO high. PSP and SSP is the focus
Indiamarkets	Entrepreneurial pure-start up, venture funded,	B2B, Public market place, Horizontal, reverse-auction based price-discovery on buy side	Procurement services, auctioning services, e-Procurement solutions, online catalogs	Primarily Transactions based, and catalog services	Procurement outsourcing support - online and call center, primarily PSP
C1 India Pvt. Ltd	Start-up firm	B2B/G2B - e-procurement solutions, PPP in e-Governance with GoAP, e-sourcing solutions,	Software solutions with auction services, e-Procurement, tendering services, e-Governance, dealer portal	Transactions and/or /event + Solutions + supplier registration fee	Onsite and offsite for relatively larger projects - more internet technology solution than pure BPO. PSP again
Baazee.com/baaze eb2b.com/eBay.co.in	Entrepreneurial pure start-up, venture funded, and acquired by eBay later.	P2P(B2C)/B2B, In B2C, open marketplace with no entry barrier, with payment gateway for B2C. B2B was limited on online reverse auction for price discovery .	Before being part of eBay - world's online marketplace, into P2P/B2C model primarily and also into B2B reverse auction based procurements. Auctioning of 2nd-cars	Transactions based and/or /event fixed charges (for B2C, purely transaction based). eBay however also has classified (ad-based) models	BPO focus with respect to parent company only. Prior B2B BPO focus in PSP space. Offshore BPO for parent eBay

* = PSPs: Procurement Service Providers

= SSPs: Selling Service Providers

Metaljunction.com

“MetalJunction combines Technology and the Internet to reach out to a large customer base and ease the process of sales for enterprises” the homepage of the site stated. Metaljunction focused on Supply Chain Improvements through BPO and also through developing applications and offering them on an ASP (Application Service Provider), which may be similar to another model of interest globally, known as Software as a Service (SAAS) mode to its clients. It had a growing physical pan-India presence when studied, and operation of MJ had started in 2001. As Metaljunction operated both on the sourcing and selling side, it owned two portals—namely Commercejunction and Metaljunction. (Subsequently coaljunction, straightline - a B2C site was also launched; and the company also renamed itself as mjunction as its areas of operations diversified beyond the metal space). As coal auctioning in India gained momentum, metaljunction created coaljunction as well. (However, there have been reports of litigations on this lately). Annual growth rate in terms of transacted value (referred as TV within industry) has been significant and the company had a target of Rs. 8000 crores for 2005-2006 financial year (almost \$1.75 billion), the CAGR in TV has been more than 50% since 2002-2003. Recently the company also launched its retail initiative targeted at trade through online stored catalogs (straightline.in). The company was promoted by two of the largest steel producers from private and public domain, namely Tata Steel and SAIL, and it achieved globally highest figure of disposing off 3 million tonnes of steel through its portal. MJ thereby remains one of the successful collaborative cases of EC globally. Metaljunction also received ISO 9001:2000 certification in 2005, reflecting its cultural heritage from founding firms.


Indiamarkets.com:

“Indiamarkets is India's largest B2B marketplace that brings together companies looking to buy and sell products/ services” the company proclaimed. Post dot-com bubble bust, the company focused on procurement service provider, as evident from its present web site. From a brick-and-mortar structure exceeding 40 covering pan-India back in 2001-2002, by the end of 2006, the company operated physically from six offices; which either pointed to a curtailing of operation or redundancy of mortar structures (unlike MJ which is expanding its physical presence). As a mark towards procurement BPO space, the company claimed to offer online live chat to its target customers through its sourcing desks. This entrepreneurial public market place received backing from venture funds like the Warburg Pincus and Intel, and offered a range of services starting from online catalogs to procurement solutions. Created in 1999 at the time of dot-com boom in India, the company received lots of press coverage in its early days, which seemed to be on the wane lately. However, present focus seems more towards PSP space than the earlier marketplace model.

C1India.com:

In terms of evolution, this one surely looked having moved up the stages of growth model, with an ISO 9001:2000 and SEI CMM Level 5 accreditation. It also focused on e-procurement and e-tendering areas, and generated a significant part of its business from the Government. Its award winning e-procurement project with Government of Andhra Pradesh (GoAP) had been promoted thro' Public Private Partnership (PPP) model and was thereby acknowledged as one of the pioneers in e-Governance initiatives. GoAP had an estimated aggregated spend of around Rs. 8000 crores (Source: AP State budget 2000-2001 and PwC estimates as given on C1 site). GoAP desired to set up an E-Procurement Marketplace, where all the government departments and local bodies could perform procurement transactions with their vendors. The E-procurement Marketplace was supposed to enable government departments to procure a wide variety of goods and services for e.g. capital items, consumables, spares, projects, civil works, services etc. The procurement marketplace of GoAP was to include the following core capabilities:



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- a. Electronic tendering (tender processing and management)
 - b. Contract management
 - c. Rate contract based procurement
 - d. Dynamic pricing engine (auction, reverse auctions, negotiations, etc)

This project also received 'Golden Icon' award (2003) issued by Small Enterprises Information and Resources Network (SENET) under Small Industries Development Organization, Department of Industries, Govt. of India, which was set up with the objective of creating an electronic network for small and medium enterprises for exemplary implementation.

In all of above three cases, the commonalities of services were:

Primary value offered: Price discovery only, rest offline. Price discovery was through online auction processes mostly, and through e-Tendering/RFQ (Request For Quote) based processes alternatively.

Mode of payment: Offline (though against our query, C1India verbally stated about online payment mechanism which we could not verify from our access of the site).

BPO services: PSPs and/or SSPs.

Primary business driver: BPO (price discovery with vendor discovery and/or enablement).

All these three firms thereby owned or had technological tie up with auction engines and/or their suppliers (IMO had Ariba auction-engine; MJ and C1 India had CommerceOne engine).

What differed in these three cases were client category and contract period, with C1India and metaljunction focusing into longer term yearly contracts more akin to BPO firms (which moved to multi-year contracts mostly) thereby helping them to develop key trust element required to migrate to BPO services whereas indiamarkets operated more on individual assignment basis, which can be interpreted to be a negative over the longer term. So, process ownership/repeatability seemed to be more with MJ and C1 compared to IMO.

(presently eBay.co.in and erstwhile baazee.com/baazeeb2b.com which are no longer functional):

This last one studied in this paper was a pure net-based online market place focusing on P2P (peer-to-peer)/B2C model. It had both auction-based diverse products for sale along with fixed price catalogs and covered almost all items of common interest new or old. The auction engine was developed by bid-or-buy (and its partners spanning from Israel and South Africa), which later merged with baazee prior to the acquisition; and after acquisition it is eBay technology that drives this P2P portal. Post the acquisition with eBay, possibility of its newly-acquired Indian subsidiary (eBay.co.in) getting into back-office outsourcing became feasible. As reported in Computer World Singapore (2005) in an interview, Avnish Bajaj, 1st country manager of eBay India stated:

“EBay already outsources some work to third-party service providers in India. Some of the functions we are considering moving to India, such as customer relationship management, product development, trust and safety, and network management operations, are critical to our business, and we are evaluating whether we should do it in-house in India.”

ANALYSIS: BPO and e-business coming together

Gartner's BPO Model

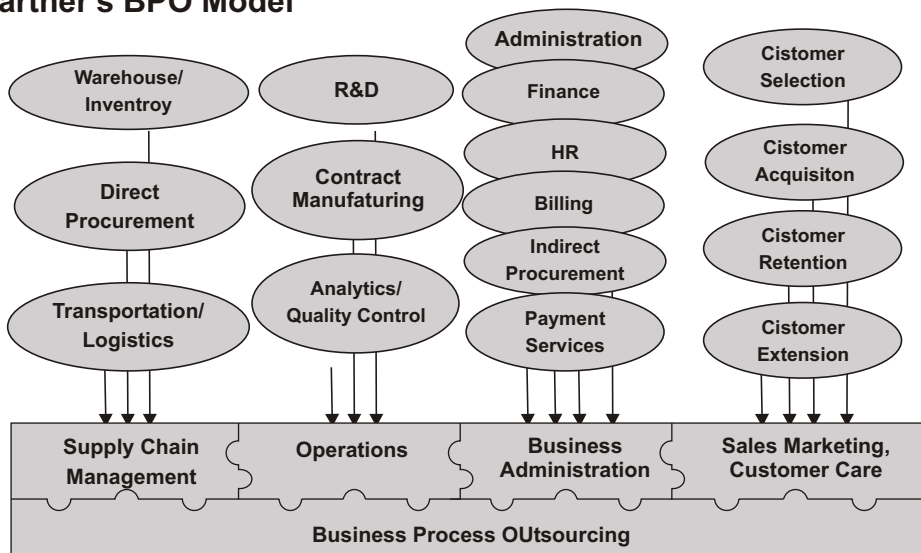


Figure 1. Gartner's BPO Model: a Chart describing the four main areas of service offerings provided by the outsourcing market. source: Gartner

By categorizing the services offered by studied cases of these four EC firms on above BPO model (Figure 1 above), we see applications primarily in SCM, and in sales, marketing,

and customer care with some presence in procurement/disposal areas, that too in business administration part of these areas only. Whereas, for traditional BPO firms, major areas of outsourcing have been overall Business Administration (HR alone is the biggest component of the overall worldwide BPO market at 18.7% of the market at \$24.6 billion out of total BPO market of \$134.7 billion, as per Gartner studies (2006)) with process ownership, which is the missing point with these EC firms as of now. EC firms so far could do very little in this broad Business Administration segment, exception being in-house service providers only (degree of ownership in certain functions with rare few clients was found for MJ in our studies).

In another study of BPO models, Aron and Singh (2003) categorized BPO based on different types of knowledge inputs that get into those processes being outsourced (Figure 2 below). We clearly see similarities of MJ having taken up this initiative here again in our studies as an extended form of client organization, or in case of C1 India, its acting as an e-enabler for GoAP project. In all the four cases, PSP/SSP EC applications can be clubbed here in the Customer Interface category, however the price discovery element remains the primary output of EC firms' deliverables, as clients retain the final process ownership.

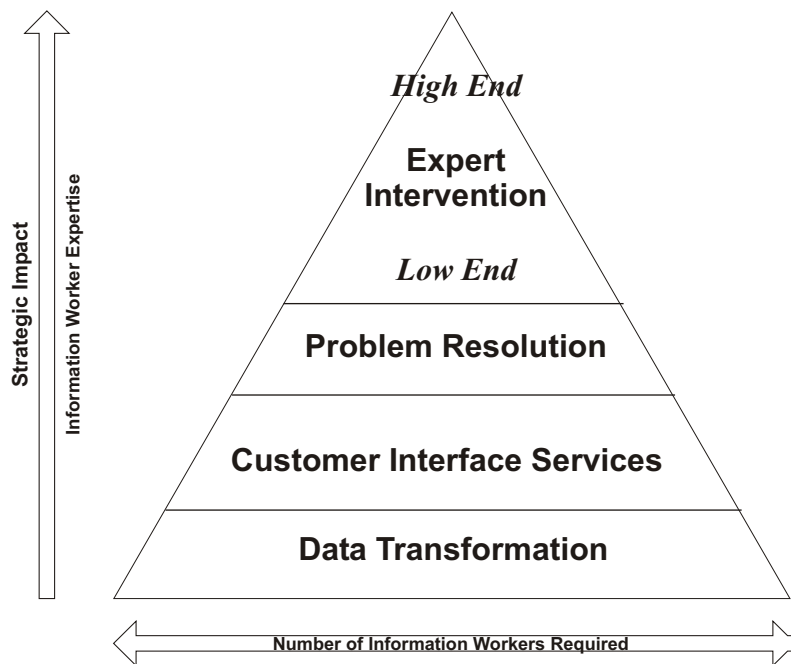


Figure 2: BPO categorization based on quality of knowledge input and its strategic impact (Aron and Singh, 2003)

Going forward, the challenges of the B2B players with their BPO models would be either to move horizontally across more functional areas (following Gartner's model); or to move up in the value chain vertically (following the Aron & Singh model) so that the BPO services, as offered by EC firms get scalable growth; and don't suffer from hyper-competition stifling their growths, more so when auction engine over the years have become extremely low-cost commoditized technology.

By analyzing above finding against another simple BPO business model (Table II below) as offered by Xicom technologies (which classified BPO as per BPO business characteristics), we try and place the different services offered by studied firms against three categories of BPO Model—namely :-

- a. transactional,
- b. niche and
- c. comprehensive categories.

In our study based on the business process analysis of four e-business service providers as given in their sites (baazeeb2b being no more functional) towards BPO adoption over our study-period, we find that EC firms' BPO services fall mostly in the area of transactional services, barring a few exceptions which point at scaling up efforts of these firms.

The salient findings of our case-based studies are summarized below:

EBay's Indian subsidiary (though may be in early discussions stage), along with metaljunction, C1 India has clearly identified longer term contracts with their key internal (external for C1 India) clients whereas C1 India inherited a strong e-business technology platform, with the experience of having worked with Government. Indiamarkets suffered form longer term client-engagements due to its horizontal focus, which probably explains their position in the lowest-end of BPO framework as found in Table-2. Expectedly, IMO was hit the hardest due to its neutral stand with dot.com bust as venture funding in B2B space dried up, Public e-marketplaces were hit hard out of three possible models, namely (i) Public e-marketplaces, (ii) Industry-sponsored marketplaces (consortia) and (iii) Private Exchanges (CAPS Research & McKinsey Report, 2002). This can be further explained by the studies of Kauffman and Mohtadi (2003) who found that larger firms tend to adopt costlier e-procurement solutions (EDI or Industry-sponsored marketplaces), whereas SMEs tend to adopt less costly procurement technologies, like open B2B procurement



platforms. All over the world, and more so in India, SME adoption of e-business and e-procurement has lagged behind large firms' similar adoptions.

Table II: Mapping business models' of studied e-business service providers with BPO business models (adapted from XICOM Technologies)

Business Characteristics	BPO Business			Case findings
	Transactional	Model	Comprehensive	
No. of processes	Transactions only, typically for 1 process	2-4 processes	10+ processes in a function; sometimes more than one function	Indiamarkets, metaljunction, baazeeb2b in transactional whereas for C1India-GoAp - a combination
Invest in clients' assets	No, migrate everything to their system	Yes - but modest dollars and personnel take-on	Yes - significant dollars and employee take-on	May be for C1 & eBay's Indian subsidiary, for other two no.
Hire Clients' people	No	Yes - but usually < 50	Yes, usually > 100s and often in the 1000s	Yes for MJ and around 40-100. Others no
Locations	Work at provider's location; very low headcount at the client site -typically account managers and sales people	Mixed, people at both client and provider locations	Mixed, people at both client and provider locations	Mixed for all four, but more inclined to Transactional model
Geographic Spread	Multi-country	Domestic (> 80% of revenue) with some international (typically Europe)	Global	As of now mostly within India only barring eBay's outsourcing initiatives if fructifies, and some by C1/MJ
Contract Durations	1-2 years	3-5 years	7-10 years	Mostly for less than a year to maximum 5 years.
Contract Value/year	\$1-5 million a year	\$5-10 million a year	\$50-\$100 million a year	Value on the lower order
Business Model	Offload transactions from client, use provider's software	Make processes more efficient - reduce costs, raise service levels	Make functions more effective, introduce best practices	C1 in niche category with GoAP, rest transactional (IMO) to niche (MJ)
Accountability	For the transaction processing	For process outcomes	For cost savings for the entire function plus business outcome	A combination of comprehensive and transactional
Risk Holder	90% of the risk with client	50% client, 50% provider	30% client, 70% provider	Mostly transactional
Metrics	Per transaction	Based on outcome	Based on outcome	Combination

Although e-business models are quite diverse and categorized into multiple segments, increasingly PSP/SSP BPO services have been the core area of operations for all the four e-business service providers studied here.


As the case companies are in different stages of growth (Nolan & Gibson, 1973), a metamorphosis from pure click model (baazeeb2b) or brick-and-mortar company (IMO in its earlier days—may be ahead of its time, or MJ in its present days) towards an onsite and offsite model is visible (metaljunction was maintaining offices at all major Indian steel cities and C1 India was maintaining physical support centers in Hyderabad, the capital of Andhra Pradesh (GoAP Project) but not in other major state capitals at the time of the study; whereas IMO reduced the number of physical offices, and baazeeb2b was closed after acquisition of baazee_(space) by eBay).

E-business is fundamentally similar to traditional business models; a mere 'e' is not enough to guarantee the success of e-business. That explains why other than baazee.com, all three needed physical offices rather than the technology alone to complete the transactions (baazee/aBay.co.in alone had online payment mechanisms, however online payment mechanism was not followed by eBay India's car auctions which is akin to B2B services eBay.co.in continued offering, and similarly online payments was not used for baazeeb2b in its earlier version).

In fact, it will not be wrong to generalize that the EC firms have only a few real e-business products/technologies, the primary of those being the auction engine for price discovery (some solutions from C1 India, MJ, or even IMO came up; however these home-grown solutions vary widely in their maturity as evident from usage). Without significant capabilities in IT/Solutions business, the companies run the risk of stagnation with online auction engine and offline services (vendor selection, approval, training, participation) related to price discovery process in PSP/SSP areas.

While studying the nature of e-business, one has to separate the products and business models from each other as products follow business model. Companies studied here continued with new product launch (MJ into retailing/car-auctions or indiamarkets into call-center support, C1India into dealer portal) as EC in India continues to evolve. These findings strengthen Point 4 above: companies do not want to be profiled as “e-business companies” in the strictest of our definition, but e-business was and remains in the near future a supporting function or another fulfillment channel. However, due to complexities, entities involved and expertise needed in servicing B2B customers, Indian EC firms had focused on price discovery in the beginning; and now try to move to a BPO model with auction engine, homegrown solutions and PSP/SSP services. This is due to the positioning that e-business presently plays (as per our study) that of a supportive value-added (channel) role in





certain services than to emerge as a comprehensive end-to-end service provider with integrated solutions, and ownership.

Conclusion

Dholakia and Kshetri (2002) in their studies of B2B EC diffusion across four global regions concluded that the share of the global B2B e-commerce in a country is likely to depend upon country level factors such as income and population size, the availability of credit, venture capital, and telecom and logistical infrastructure, along with other soft and hard factors. As technology increasingly plays the role of facilitators, both in product innovations and in applications oriented outsourcing space, a trend is seen in e-business practices in India where e-commerce players adopt Business Process Outsourcing opportunities (along with IT opportunities in their homegrown 'solutions' products) without much of the product innovations. This trend is primarily to: (1) counter insufficient domestic market size in one hand, and (2) grab the opportunity that India attained through its increased overseas visibilities gained from excelling in Information Technology (IT) and Business Process Outsourcing (BPO) spaces.

To conclude, we found all the four cases moved a step closer towards adopting BPO models in procurement space (PSPs) or in disposal services (SSPs), followed by backend process outsourcing opportunities (where readily available due to large internal clients' requirements, like in case of eBay.co.in or for MJ). However this visible trend raises relevant questions to both academicians and practitioners on scalability and sustainability of the generic low-end BPO model followed by e-business service providers in SSP and PSP areas. The paper, by focusing on operational similarities of e-business service providers in common areas of services, like PSPs and SSPs as detailed out in respective firms' websites, and by examining various media-reports in the evolution of the companies since their inception finds a strong case of EC firms adopting BPO models, as per various frameworks of BPO models. True, these individual adoption levels are again at varying stages of growth and maturity.

Our main contribution was to look at apparently diverse e-business firms and mapping them with BPO framework based on definitions and models of e-business and BPO. Anyhow, this study is based on only four Indian cases, and the cases studied being privately held, did not present much authentic financial data to clearly define revenue sources from two distinct categories namely e-business and BPO services. Further regular studies with larger numbers of Indian B2B e-business firms, and examining their evolutions of business

models in the wake of changing industry dynamics, and the challenges and opportunities our markets present would redefine the continuity of this trend, and success of adopted BPO models on Indian B2B EC firms.

NOTE

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Internet World Stats uses data sources from Nielsen//NetRatings and by the International Telecommunications Union (ITU). Additional sources are Computer Industry Almanac, the CIA Fact Book, local NIC, local ISP, other public and private sources, and direct information from trustworthy and reliable research sources.

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