

Universiti Teknologi MARA

**DBD Enterprise Sdn Bhd: A B2B Business
model**



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**Thesis submitted in fulfillment of the requirements for
Bachelor of Science (Hons) Business Computing
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Quantitative Science**

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DECLARATION

I certify that this thesis and research to which it refers are the product of my own work and that any ideas or quotation from the work of other people, published or other wise are fully acknowledge in accordance with the standard referring practices of this discipline.

May 7, 2007

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APPROVAL

DBD Enterprise Sdn Bhd: A B2B Business model

BY

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CHAPTER 1

INTRODUCTION

1.1 Introduction

Globally, web based technology acts as a backbone for the business industries within this digital era. In order to adopt this technology innovation, most organizations are transforming their business style from the brick-and-mortar organizations to the click-and-mortar organizations.

Transactions which use web between organizations with their partners and customers are faster and economical. The Electronic Data Interchange refers to the early technology adoption between organizations. Therefore the Business to Business has been in existence for the period of as long as the Internet. The B2B application is commonly used in billing, Customer Relationship Management, supply chain and manufacturing.

Electronic business offers a lot of opportunity to organizations for the growth of their business. Hence, in order to be success in Electronic business, an organization needs a business model to generate revenue. Sometimes they need several business models either complex or simple. Business model is a method of doing business by which a company can generate revenue to sustain itself (Turban and King, 2003).

This chapter provides some insight about the research study. An overview of the research are discuss in the research background, rational of the research conducted and objectives that need to be achieve are explained in this chapter.

1.2 Research Background:

DBD Enterprise started the frozen food business with the brand of Mak Jah Frozen Food since 1999. In the year 2004 due to the rapid growth, DBD Enterprise was sequestered to DBD Enterprise Sdn Bhd. This 100% Bumiputera Company is also involved in food catering service. The company has cafeteria at Universiti Teknologi Malaysia, Skudai.

The frozen food products are prospered traditionally without using any preservatives ingredients. This has made Mak Jah's frozen food very unique and the best in its class. The products are:

- 1) Curry puff Chicken
- 2) Curry puff Meat
- 3) Curry puff Potato
- 4) Donut
- 5) Green Bean Cake
- 6) Samosa
- 7) Curry puff Sardine
- 8) Vegetable Pie

As for the appreciation of the company's achievement, Datin Hajah Halijah Hj. Ali, the owner, was awarded Usahawan Harapan Wanita Negeri Johor. The products have also managed to penetrate Singapore's market through different branding. They are marinating a good business partner ship with 2 Singapore based companies since year 2000. Several of the clients of DBD Enterprise Sdn Bhd are such as Giant, Jaya Jusco, Uda Ocean and etc.

The logo brand:

mak jab
Bersih & Berkualiti

Mission

To increase market share in food provider industry through meeting customer satisfaction.

Vision

To be a leader in frozen food Industries.

Objective

To provide a chain of quality products and meeting customer satisfaction with the continuous quality improvement efforts.

The company wishes to expand their business to help to bridge the gap between their partners and customers. One of the ways the company can expand their business is by having Electronic business. Before implementing this technology, the company requires a business model. To create this business model, the relevant data needs to be identified from the top level management of DBD Enterprise Sdn Bhd and subsequently analyzed.

Electronic business is one of the fastest ways to expand the business into global market. Therefore, the implementation of Electronic business is strongly encouraged to DBD Enterprise Sdn Bhd where they can expand their business using these technologies facilities. The proposal of a B2B business model for DBD Enterprise Sdn Bhd is vital before the implementation of Electronic business in order to generate revenue.

1.3 Problem Statement:

This traditional brick-and-mortar company is facing an increased competition and other environmental pressures. The increment of cost is one of the problems that is faced by DBD Enterprise Sdn Bhd. The other problem is limitation in expanding their business. They need to move their old economy firm by using new economy tools such as the internet technology in order to compete in this industry. Before implementing the technology, the business model is needed to ensure the successfulness in solving these problems.

1.4 Research Questions:

1. What are the data required for a B2B business model for DBD Enterprise Sdn Bhd?
2. How is the current business work in this company?

1.5 Research Objectives:

1. To identify the data from DBD Enterprise Sdn Bhd and its business partners pertaining to a business model.

2. To determine the business flow between the company and its partners.

3. Propose a business model for DBD Enterprise Sdn Bhd.

1.6 Research Scope:

- Location
 - The location of the research is focused on the DBD Enterprise Sdn Bhd, Johor Bahru.

- Target Respondent
 - The target respondents are the management of DBD Enterprise Sdn Bhd, their customers and business partners.

- Project Scope
 - E business for DBD Enterprise Sdn Bhd as a business model.
 - Focus on conceptual design.

1.7 Research Significance:

- DBD Enterprise Sdn Bhd will expand their business to international market.
- The creation of business model enables the company gain competitive advantages.
- The company can generate revenue from the business model.

1.8 Summary

This chapter describes overview of the study as a whole. As in this chapter, a research title is explained. The title is DBD Enterprise Sdn Bhd: A B2B business model. Every section is explained in detailed. To give a better understanding, the research background, objectives, significance and scope are explained.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

Business is just like a game of war where the enterprises need the right gun in order to win this war. New technologies are one of the tools which are needed in today's business. Most popular technologies are the Internet and the World Wide Web which are making electronic commerce much more accessible and easily usable. Electronic commerce on the basis of the Internet is set to become a very important way of doing business. More over, Electronic business or electronic commerce is the new ways to compete in the real economy. According to Turban and King (2003), electronic commerce is process of buying, selling or exchanging products, services and information through online or computer networks. They also define that electronic business is broader than electronic commerce itself. Together they said that electronic business includes servicing their customers, collaborating with business partners, and conducting electronic transactions within organizations. Many organizations are eager to take advantage of these new technologies.

For the early of internet economy, the development and research environment of web services are undertaken by 'giant companies' (Williams, 2003) and the small medium enterprises only having limited technologies in conducting their business. However, in this modern day, most organizations use this new tool to expanding the business and interact with their customers. Virtual business transaction or internet technologies provide organizations an opportunity to conduct business anywhere around the world (Jennex, Amoroso, 2004). In the other hand, from 2000 to 2002, the bursting of electronic business spooked the market and taught some lessons to electronic business companies that they need new strategies in do business (Zhang, Gai, 2004). Therefore a

practical methodology is needed which leads to new development business model (Petrovic, Kittl, Teksten, 2005).

In this chapter, the researcher will discuss more about electronic business models for business to business transaction. The definition, categories and other components will be described and explain through this research.

2.2 Electronic Business

2.2.1 Introduction

Today, most business use web-based technologies. Technologies play a vital role for an electronic business that wants to gain 'first mover advantage' (Zhang, Ghai, 2004). We see an explosive development in electronic commerce. Electronic commerce can be defined loosely as "doing business electronically" (European Commission 1997). Electronic commerce includes electronic trading of physical goods and of intangibles such as information. This encompasses all the trading steps such as online marketing, ordering, payment, and support for delivery. Electronic commerce includes the electronic provision of services, such as after-sales support or online legal advice. Electronic commerce may be succinctly defined as the ability to perform exchanges of goods, services, content, assets, and money, using electronic tools and techniques (Misic, Zhao, 1999). Electronic commerce, or e-commerce, is the process of using digital technology as the medium for transmitting information between organizations (Hynes, Morgan, Goudie, 1999).

Electronic business is a broader definition of electronic commerce that includes not just the buying and selling of goods and services, but also servicing customers, collaborating with business partners, and conducting electronic transactions within an organization (Turban, King, 2003). Electronic business broadly defined as any business process that relies on an automated information system (Timmers, 2000). Electronic

business applications need connecting technologies to support the external to flexibility in business process (Baghdadi,2004). One of the important characteristics in electronic business is the ability to connect individuals, groups, and organizations worldwide. One of the significant differences from conventional industries is the high degree interconnected of the various parties (Chen, 2001). Electronic business requires a specification of these types of business processes with a business interactions and connection oriented perspective in order to compose them from the-existing assets of the enterprise, partners, and suppliers (Baghdadi,2004). Electronic business methods enable companies to link their internal and external data processing systems more efficiently and flexibly, to work more closely with suppliers and partners, and to better satisfy the needs and expectations of their customers (Timmers, 2000).

Practically, electronic business is more than just electronic commerce. While electronic business refers more on strategic focus with an emphasis on the functions that occur using electronic capabilities, e-commerce to be a subset of an overall e-business strategy (Timmers, 2000). Electronic business involves business processes spanning the entire value chain: electronic purchasing and supply chain management, processing orders electronically, handling customer service, and cooperating with business partners. Special technical standards for e-business facilitate the exchange of data between companies. E-business software solutions allow the integration of intra and inter firm business processes. E-business can be conducted using the Web, the Internet, intranets, extranets, or some combination of these.

2.2.2 The essential of Electronic Business

Another difference between the possibilities of Internet and ecommerce business models at the end of 90's and today, is in the number of people who had an Internet connection at that time compared with those of nowadays. The more important is having the connection and the number of people who have assumed Internet as a part of

their lives, as a working tool, for searching information, in order to buy, or even to publish a blog in which they spread their thoughts and reflections.

Another important fact to analyze to find differences between 2000 and 2006 is the type of Internet connection. If five or six years ago most were low speed connections, currently an increasing portion of people have access to broadband connections, through cable or DSL lines. This is important, because these kinds of connections allow supporting functionalities that were impossible with slow connections, as rich Internet applications, video, etc.

A lot of people are using internet and it leads to grow many businesses in electronic business. More potential revenue available online and create it necessity to business in compete the real economy. According research that had report by few researchers which is published in Memorial University of Newfoundland website (1999), there are several facts that create electronic business are essential today. The facts are stated below:

- 5 million servers on the internet.
- 30 million individual users.
- 118,000 domain names issued to businesses, representing 51% of all domain names issued.
- The number of web pages doubles every 53 days, and stood at 110,000 in 1995.
- 61% of Canadian small businesses are currently using the internet.
- 27% of Canadian small business owners currently conduct financial transactions online, and another 41% plan to do so.
- 92% of international executives believe the internet will reshape the global marketplace.
- Value of electronic commerce transactions in 1996 was US\$12 million.
- Value of electronic commerce transactions in 2000 predicted to be US\$2 billion.
- Estimated amount of business to business web purchases in 2001 is 80% of US\$220 billion.

- B2B e-commerce is expected to grow at a rate of 41%.

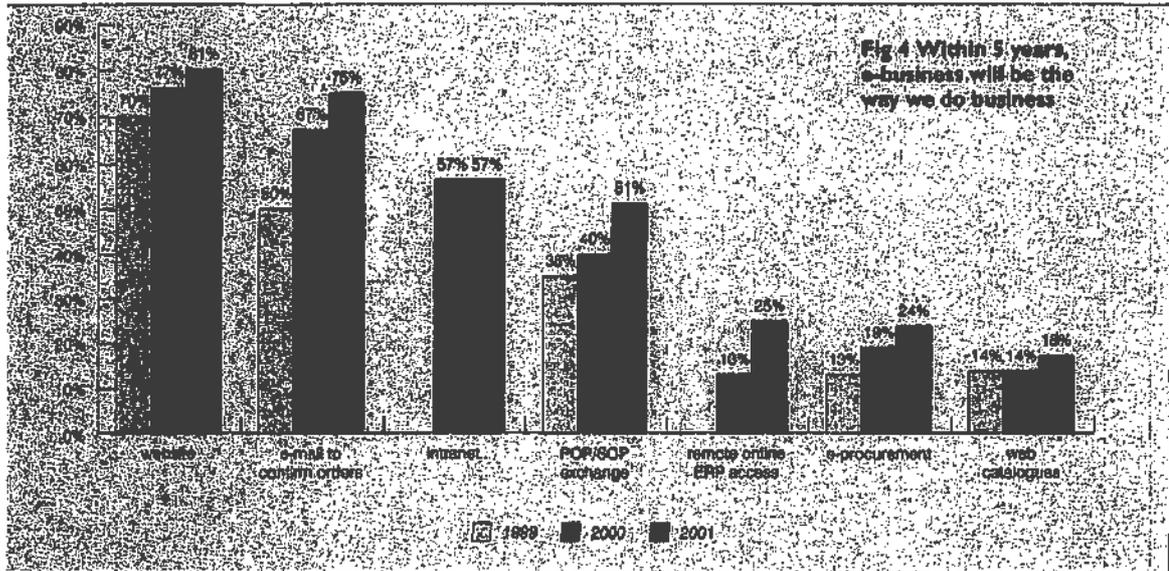


Figure 2.1: The increasing of using e-business (Macdonald,2003)

The survey that conduct by Macdonald (2003), found that adoption of e-business applications is growing at an actual annual rate of around 15-20%, and is likely to continue at this pace (see Figure 2.1). Findings indicate that within five years, these applications will play a main role in the way manufacturing businesses will be doing business. The reason of this arise are technologies have developed and matured, and the cost implications of applications have been clarified, Hype and confusion surrounding Electronic business has subsided and risks reduced (Macdonald, 2003).

2.2.3 The benefits of Electronic Business

Strategic choice of being e-business is reported by Chang and Gai (2005) where they conclude that electronic business offers important advantages over its predecessor.

Electronic business represents a much more efficient way to manage information flows, which in turn significantly reduces high costs for communicating, gathering information, or accomplishing transactions. More over, the vital part here is electronic business supports more adding-value collaboration, both among a company's own units and between a company and its business partners.

Technology plays an extremely important role for an electronic business which wants to gain 'first mover advantage' like the pioneer successful such as e-bay and Dell. Electronic business involves the transformation of key business process through the use of internet technology (Kalakota and Robinson, 2001). The unique of the Internet is based on the ability to link one activity with others and make real-time data created in one activity widely available, both within the company and with outside suppliers, channels, and customers. Porter (2001) points out internet has been to enable the reconfiguration of existing industries that had been constrained by high costs for communicating, gathering information, or accomplishing business transactions. Internet technology through electronic business have a significant impact on many business by provides standardized infrastructure and bi-directional connectivity which much lower cost than private networks and electronic data interchange.

The increasing number of companies has realized internet offers more than just opportunities in expanding their market but also the importance role played by their business partners in the achievement of their own business. According to Hynes, Morgan and Goudie (1999), technologies today replaces paper-based processes and will result lower costs, greater accuracy, higher speed and larger scale inter-company collaboration. According to Barua, Konana, Yin and Whinston (2000), they divided the benefits into a few categories. Table 2.1 shown categories of the benefits of electronic business:

Table 2.1: Benefit of electronic business (1)

<p>Online Revenue</p>	<ul style="list-style-type: none"> - High percentage of online-leaner company. - Size of sales staff reduces. - Tasks shift to the customers like gathering information, entering orders and tracking shipments.
<p>Online procurement from suppliers</p>	<ul style="list-style-type: none"> - MRO goods and production goods - Lower prices - Better coordination with suppliers - Fewer problems with stock out - Smoother production schedule - Just in time operations
<p>Acquiring new customers</p>	<ul style="list-style-type: none"> - Finding new customers easier - Not constrained by geography, or physical office in location - Marketing expenses reduced - Web to reach small companies - Acquiring new territory without a lot of financial input

Existing customers	<ul style="list-style-type: none"> - Getting existing customers to do business online - Transfer of trust in the relationship to online one
Customer service	<ul style="list-style-type: none"> - Provide much needed information online - Speedy responses to questions - Online communities - Interactive features for customers to help themselves
Companies with significant financial gains	<ul style="list-style-type: none"> - Have high percentage of online revenue - Have high percentage of online procurement - Have high percentage of online new customer acquisition
Source: Barua, Konana, Yin and Whinston (2000)	

Together with Turban and King (2003) said, there are a lot of benefits to organization by using electronic business. The benefits are fall into several main categories as below:

Table 2.2: Benefit of electronic business (2)

<ul style="list-style-type: none"> • Expands the market place 	<ul style="list-style-type: none"> - A company within short time and easily can locate more customers and find the best suppliers and also the best suitable business partners internationally. - Electronic business allows the company to interact more closely with their customers or clients and also find new customers. - It promotes better customer relationship management and increases customers loyalty.
<ul style="list-style-type: none"> • Offers significant cost savings 	<ul style="list-style-type: none"> - Companies no longer need to bear the costs of creating, processing, distributing, storing, and retrieving paper-based information. - Electronic business lowers telecommunication costs because Internet much cheaper to access than Value Added Networks. - Furthermore, electronic business enables efficient electronic procurement which reduce administrative costs. - Companies also able to spend less on financing costs.
<ul style="list-style-type: none"> • Improves business organization and process 	<ul style="list-style-type: none"> - Electronic business allows for many innovative business models that provide strategic advantages and increase profits. - Companies gain more competitive advantage by using electronic business such as allow inexpensive customizations of products and services like Dell. - Supply chain inefficiencies such as excessive inventories and delivery delays can be minimized by electronic business. - Electronic business also provides organizations with