

View Point



New Commerce

Introduction

New commerce is not so much about individual transactions as much as about engagements; its guiding philosophy is to create value for all market participants – producers, sellers, intermediaries and consumers. Customers and enterprises alike are looking to conserve their resources and do more with less. A 'micro' mindset is emerging where customers are unwilling to pay for a complete package if all they require is a fraction. This mindset is prevailing across industries and is best illustrated by the success of the iTunes wherein, customers pay only for a song instead of the whole album. Banks and financial institutions are now looking to cater to this emergence of micro-personalization.

Given the innovations in technology and its higher penetration, there is now an opportunity to cater to the underserved segments of people who were previously ignored due to financial, geographic or demographic constraints. Businesses are therefore mobilizing their offerings. They're also mobilizing their internal resources – capital, assets, people – to improve cost efficiency and performance. This shift to mobility helps in the move towards inclusivity. Changing their pricing configuration to a transactional or pay per go model, repackaging products in bite sizes and allowing customers to buy a part in place of the whole are all changes that are helping cater to new segments and micro needs, create new business opportunities as well as mobilize assets.

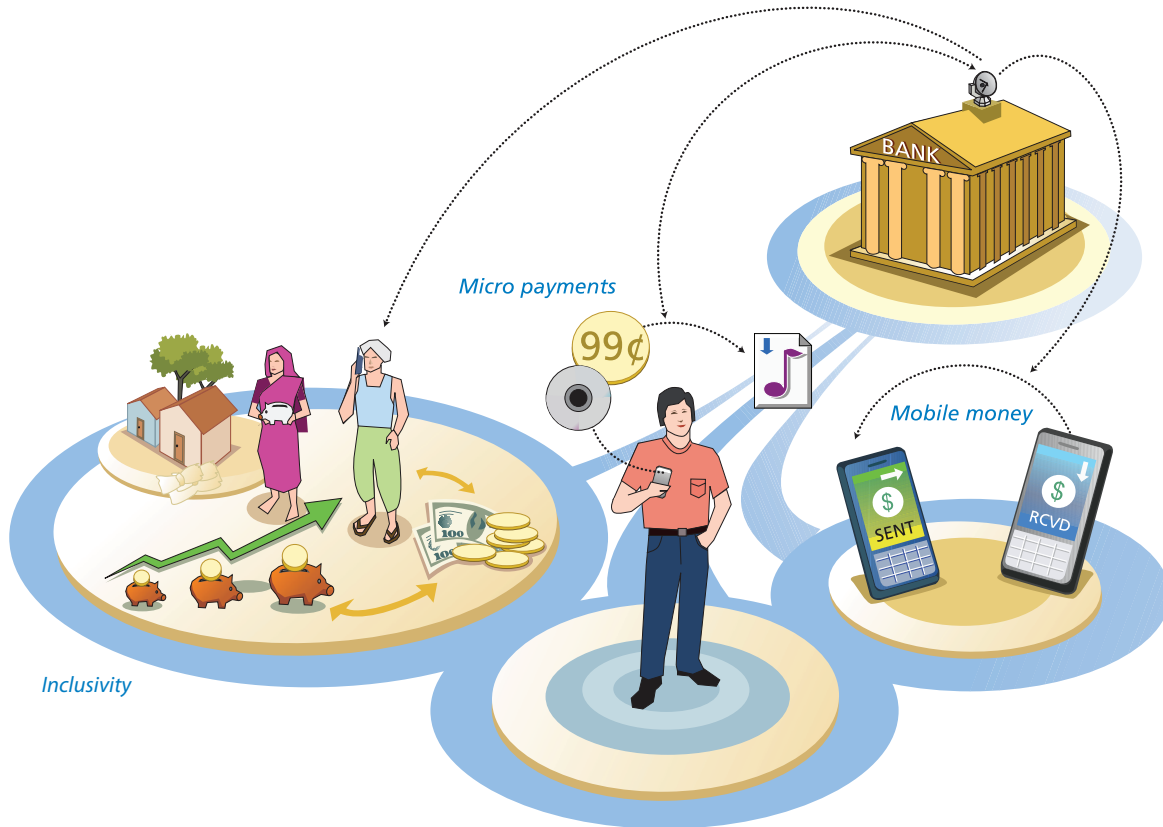
This 'New commerce' is emerging, seeking and leveraging opportunities in previously untapped areas by leveraging mobility, micro-sized interactions and ushering in inclusivity.



New Commerce - ushering in Mobility, Micro and Inclusivity

Organizations advocating new commerce seek to do more with less – sell more products at lower cost, reach more people with fewer (or the same number of) touch points, acquire more customers with the same sales force, and fulfill transactions anytime, anywhere using the same infrastructure – and so on. In the pursuit of all these aspects, organizations must finely balance the opposing pulls of consumer expectations, regulatory requirements and resource limitations; which is made possible by technology.

The three significant trends that will influence New commerce are -



Mobility

Mobility refers to the notion of redefining access. It has created new business dynamics and technology, devices and policy have come together to make everything from capital to channels more mobile and improve growth, productivity and profitability. According to a global research firm, 70% of people around the world will own a mobile phone by 2013. Within the New commerce theme, Mobility manifests as mCommerce, Enterprise Mobility, Mobility of Capital or Mobility of Resources. The rising demand for mobilization of all types of services has spawned off an application ecosystem comprising of developers, telecom operators, device manufacturers, internet firms and other service providers, working to make mobilized applications ubiquitous and accessible. Besides improving enterprise productivity, efficiency and customer convenience, mobility is also turning out to be an information gateway with tremendous potential. The major trends shaping mobility today are:

- **mCommerce and Enterprise Mobility:** mCommerce is becoming a reality due to the development of supportive technologies such as Near Field Communication (NFC) and Contactless Payments. Mobile devices are providing a convenient mechanism to make purchases at anyplace, anytime at online and physical stores, top up airtime, purchase tickets and much more.
- **Mobility of Capital and Resources:** With the formation of global trade and commerce alliances (such as Canadian-American Border Trade Alliance, NAFTA, US–Europe Free Trade Agreement etc.) as well as geo-political unions (such as the European Union), there is an unprecedented movement of capital as well as resources – labor and material, across the globe.

Micro

Micro refers to the notion of redefining size. Micro-commerce has added new dimensions to business; small-ticket transactions have enabled sellers attain higher volumes and buyers obtain better value for their money. Consider the Apple iTunes digital store which completed the delivery of a stupendous 10 billion songs in February 2010. Micro-payments in the U.S. alone are expected to top US\$ 2 billion this year. The growth of micro-payments is a global megatrend which has given rise to opportunities to co-create with customers and partners and evolve new ways of payments, delivery and supply-chain management. Micro-commerce is witnessing the following developments:

- **Innovative Delivery Models:** The acceptance of the micro-commerce and payments paradigm has transformed the ecommerce universe into a virtual high street. Internet, mobile, IPTV, kiosk and social networking platforms are the new shopping areas that are popular amidst micro-consumers. Businesses are vying with each other to deliver greater value to their customers through innovative delivery models such as pay as you go, pay per use, daily (in place of annual) subscription and SaaS.

- **Effective Payment Systems:** Micro-payments, which mostly dealt with settling the purchase of large volume- inexpensive items, by credit card, have become more robust and versatile with everyone from Twitter to PayPal entering the fray. Peer-to-Peer (P2P) money transfer has got a push from a combination of platforms provided by telecom operators, internet service providers, and social networks like Zopa, Wesabe and Facebook.

Inclusivity

Inclusivity refers to the notion of redefining markets. Inclusivity isn't only about the inclusion of the bottom of pyramid in mainstream commerce, but about reaching out to markets previously not accessed for want of supply chain feasibility or financial viability. This thinking has allowed developments in micro-finance and mobile payments that have spearheaded the inclusion agenda across the world, and delivered products and services to the segments previously unserved due to financial, demographic or geographic reasons.

A leading advocacy group estimated that globally, micro-finance agencies had 154 million customers at the end of 2008. Current estimates put the micro loans globally at over \$30 billion. The consolidation and standardization of channels has spread the retail industry's wings across borders as have other developments such as the introduction of the Single Euro Payments Area to further integrate the markets of Europe. The influential trends in inclusivity on the rise are:

- **Eco-system and co-creation:** Inclusivity relies as much on the support of the larger eco-system which includes developers, technology specialists and development agencies as on local correspondent networks working at the grassroots level. Inclusivity can succeed only when partners extend their roles beyond service delivery to co-create products and services based on the feedback from and their knowledge of the local markets. Take the example of a leading American brewery which incubated a number of small food and beverage entrepreneurs by providing them both financial and advisory assistance, while improving prospects for its own business.
- **Seamless Integration:** As mentioned in the previous point about drawing on the strengths of the eco-system, it is important that the various arms be seamlessly integrated. An increasing number of participants including whole-sellers, micro-producers and consumers, network operators, financing companies and support agencies are coming together to create a win-win situation for all.
- **Secure Environment:** Inclusivity will not take root unless the targeted segment has confidence in the system. The mobile phenomenon, which is one of the biggest drivers of inclusion, also brings particular operational risks to providers and users. Going forward, there will be increased adoption of safer technologies such as firmware-based secure elements, data encryption, multi-factor authentication etc. Equally, it is important for regulators, mobile operators and financial firms to evolve a stronger regulatory framework and comply with its directives.

Conclusion

Technology will play a major role in ushering in this new era of commerce. Understanding and adapting to this new commerce will be crucial for organizations. Infosys has identified this area as a significant driver for the organizations of tomorrow. To help our clients prepare for the new wave of commerce we at Infosys are co-creating several personalized solutions, products and platforms with our clients. To hasten our clients' innovation efforts we have in place, several innovation accelerators. These accelerators, created by Infosys include several products and platforms that are aligned to the influential drivers. Take for instance mConnect which represents the next generation in mobility for enterprises. mConnect is a real-time enterprise middleware which enables mobile services for websites and e-Commerce platforms. mConnect helps our clients' enterprise with the mobile deployment, thereby helping them interact with their customers in real-time. Moving into the inclusivity space is the Finacle inclusion solution which can enable banks to gainfully serve the under-banked and unbanked with relevant products and services.

References

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