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## Benefits of e-commerce

Electronic technologies will continuously and progressively be deployed throughout the entire supply chain of all industries over the next decade. It is expected that e-Business will become so commonplace, that the “e” will become redundant and it will be “business as usual”, but conducted through a whole new medium.

Far too many small and medium businesses fail to perceive the full importance of the electronic business model and make little effort to understand it or adopt it. Indeed, many businesses still confuse e-Business with e-commerce, which is the transactional aspect of e-Business.

E-Commerce refers to the various transactions which occur between Government, citizens/households and businesses.

Though e-commerce opens a world of businesses to customers and a world of customers to business, the model clearly shows that e-Business incorporates both this function and the provision of more significant opportunities for interaction, transaction and profitability in back office and supply chain systems. Many supply chain systems are, in fact, e-commerce tools, eg procurement, inventory management, CRM and some ERP systems.

Front-end e-Business systems include email, websites (whether in-house or out-sourced, passive brochures or highly interactive) and marketing strategies geared to promote the website. Back-end systems include procurement (purchasing), warehousing, production, delivery, administration, accounting systems, inventory systems etc.

The bottom line benefits of e-Business are simply this:

### Business process optimisation

Full integration of electronic technologies throughout front and back end business processes will provide significant benefits.

### Improvements to customer responsiveness and service

By allowing customers to track delivery of parcels in real time, the Federal Express website keeps customers in touch with the location of their goods and when they will arrive. Provision of this sort of information creates greater customer satisfaction and sense of control. Automatic Teller Machines (ATM's) are now well used by most bank customers, who, although some still express feelings about the lack of personal interaction with bank staff, generally would not want to return to the old system of standing in a queue for personal service. They feel more in control of the transaction process and can access their information any time. Publishing Frequently Asked Questions (FAQ's) on a website saves customers time and money waiting on the phone for a response. They also allow the business to concentrate on generating more business rather than dealing with often simple issues.



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Automatic email responses provide customers with instant information to their inquiries and help create more sales by answering general queries more quickly and comprehensively. Websites with interactive features, eg chat line, bulletin board, email, e-forms. These facilities help keep the customer in touch with the “real person” in the business. Some customers respond better in this environment and the business owner can ask more direct questions of the customer to help build personal profile information.

Useful information about products, services, prices etc and something FREE or value adding. This again provides the customer with what they are generally looking for in their first contact with a business and helps to create a successful sale more quickly.

### **Across the board cost savings**

#### *Labour costs*

Reduce Wages by engaging labour via the Internet on performance based rewards. Incur labour expenses only when you need them by outsourcing work like invoicing, debt collection and customer support, advertising, copywriting etc. turning fixed costs into variable costs. Labour costs can also be reduced by automating business processes which require less human intervention.

#### *Materials costs*

Reduce materials costs by requesting and receiving both expressions of interest and quotes from materials suppliers worldwide. Collaborate electronically with other businesses to bulk purchase materials.

#### *Overhead and other costs*

- Outsourcing labour and casual work and automating business processes both help reduce space and equipment requirements.
- Using email for communicating and information dissemination saves phone, fax and courier costs. Also other Internet tools can be similarly used to communicate with suppliers, staff and customers.
- MS Netmeeting, IRC Chat and other tools allow voice, image and word communication saving travel, airfares, accommodation and teleconferencing costs.
- Voice recognition software helps minimise the need for secretarial support and increasing your typing speed.
- Most communication costs can be significantly reduced with a combination of email, other Internet tools, phone answering machines, voice response systems, call diversion and mobiles.
- Reduction of inventory holdings.
- Reduction of work capital requirements.
- Reduction in transactional costs.

#### *Cashflow improvements*

Reduce Interest charges, bank fees, collection fees, postage and printing by using Electronic Funds Transfer (EFT), Point of Sale (POS) and electronic banking facilities.



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### **More fruitful customer/supplier relationships**

Using email and other voice, image, word communication facilities not only saves money and provides greater responsiveness, but can facilitate better supplier, customer and staff relationships, because it can be used more often, much more readily and can provide so much more information at no cost.

With interactive databases and electronic loyalty programs, personalised and targeted direct mailing used wisely, can strengthen customer relationships and increase sales.

E-Business tools can empower the customer to find many of their own answers, monitor order status and check account details etc.

### **Faster provision of products and services to the marketplace through streamlined and thus cheaper production**

Integrating a strong marketing website with business processes allows the customer to order via the website, the order is sent electronically through the other business processes, eg accounting, production, warehousing and distribution and the customer is provided with a product to their specification and in a timely manner.

### **New markets**

Whether geographical, industry or niche, the clever use of email and a website can increase customer numbers, purchasing volumes and frequency of return (loyalty). It will improve your ability to capture and leverage customer intelligence to direct your marketing, purchasing, warehousing, delivery and pricing strategies and will ultimately result in increased revenues.

### **Trust**

Investing in a well-built e-Business system including email, website and back end systems will greatly assist in building client trust. Providing free, useful information, secure ordering and payment transactions and reliable delivery, support and feedback systems are the key to establishing strong and successful customer relationships on the Internet.

### **Customer loyalty**

Successfully capturing customer intelligence will help the small business operator to anticipate customer needs, tailor products and services, set pricing strategies, ensure availability and provide superior delivery, support and feedback systems, all of which helps to build trust in the business, confidence in the system, loyalty to the supplier and repeat sales "at the till".

## Market leadership

For many businesses, planning, investment and implementation of electronic technologies will improve international competitiveness, resulting in improved market share, return on investment (ROI) and consequently market performance through business leadership. For example, using the Internet, a business can seek out and respond to a tender from anywhere around the world more quickly than ever before. Also, a business can use the Internet to source technical specifications, materials and other resources more cheaply and quickly than traditional means. Further, email and teleconferencing can facilitate greater collaboration between businesses in joint ventures to enter new markets, produce products or supply a customer. These factors combined contribute to better “access to markets” and a faster “time to market” for businesses and their products.

## New products and services

Electronic technologies significantly add to organisational agility and lead to new services valued by customers. In many cases, information and knowledge are becoming the new products or services of the future. Businesses are also able to source new materials, technologies or techniques and venture into markets previously outside the scope of business operations. Joint ventures are increasingly possible through e-technologies providing businesses with new opportunities and potential areas for growth.

To access a new market, a business should consider the following 10 steps:

1. Consider the language of the country, ensuring navigation and important information is translated to suit.
2. Prepare website keywords and search engine listings to suit the language.
3. Product instructions or manuals must also be translated to suit.
4. Some products may require approval by the country’s authorities.
5. Check out VAT/GST and other tax issues.
6. Establish an after-sales and repair service reasonably close to the new market.
7. Establish a toll-free number directed to either your own business or a branch or a partnering business close by.
8. Promote the website within the new market area using the appropriate strategies, eg email, reciprocal links with local prominent website services and portals, newspapers, magazines, TV/Radio etc.
9. Specify where legal issues are to be dealt with.
10. Determine a suitable currency for exchange.

## Intellectual and human capital

Email and website technologies support business, procurement, production, administration, warehousing, payment, delivery, support and feedback systems. Together, these provide whole new opportunities for a business to capture, research and leverage so much information about its customers and transactions, that exponential growth in intellectual capital is emerging as a major business benefit and addition to the balance sheet. Systems that are “smart” and informed by business trends can improve the quality and uniformity of decision making ensuring businesses operate more effectively if staff leave or are away.



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## Technology

These days, electronic technologies, from an accounting perspective, should be considered an ongoing operational cost, rather than a capital investment. Thus, the key to achieving the most benefit in the bottom line from computer systems lies in choosing the right technology and implementing it to optimise the many benefits of e-Business. This means that putting “boxes” on desks needs to be accompanied by effective training in data storage techniques and security procedures with regular assessment of best practice processes and systems. The above benefits are related to business infrastructure, relationships and marketplace performance perspectives. If these systems are part of a well-specified and well-implemented business plan, they can bring about benefits and improvements in productivity, efficiency and cost savings, which ultimately contribute to increases in profitability.

## Further information

The following fact sheet provides further information on these issues:

- Business planning

