

E-BUSINESS & E-COMMERCE

Session #2

Introduction to

E-Business & E-Commerce

[Part 2 of 2]

Learning Objectives

1. Students able to summarize the main reasons for adoption of digital business and barriers that may restrict adoption.
2. Students able to outline the ongoing business challenges of managing digital business in an organization, particularly online start-up businesses.

Digital Business Opportunities

- Digital business has introduced *new opportunities* for small and large organisations to compete in the global marketplace.
- One of the biggest change introduced by electronic communications is how approaches to transmitting and transforming information can be used for *competitive advantage*.
- The internet also provides significant opportunities for many business to build *closer relationships* with their existing customers and suppliers online to help *achieve customer retention*.
- Encouraging use of online, digital business services by customers and suppliers can significantly *reduce costs* while providing a *new, convenience channel* for purchase and customer service
- Through providing *high-quality online services*, organization can build lasting relationships with their stakeholders.

Three Characteristics of Information

1. **Reach.** 'Reach' refers to *the potential number of customers* a business can interact with. The internet enables reach to be increased nationally and internationally at *low cost* through making content available via search engines. 'Reach' also refers *the number of different categories and products* a consumer interface (store, catalogue or website) can cover.
2. **Richness.** This is *a characteristic of the information itself*. The internet enables more detailed information about products, prices and availability to be made available. It also enables more interactivity and customisation to engage customers and to provide more up-to-date information. Richness *is limited by bandwidth, the accuracy or reliability* of information and *its security*.
3. **Affiliation.** This refers to *the effectiveness of links with partners*. In an online context, an organization which has the most and richest link with other compatible organizations will be able to gain a larger reach and influence.

Drivers of digital technology adoption

Two main categories of drivers which remain relevant today for introducing new technology:

Cost/efficiency drivers

1. Increasing speed with which supplies can be obtained
2. Increasing speed with which goods can be dispatched
3. Reduce sales and purchasing costs
4. Reduce operating costs

Competitiveness drivers

5. Customer demand
6. Improving the range and quality of service offered
7. Avoiding losing market share to business already using e-commerce

The benefit of digital business

The benefit of digital business will impact on *profitability* or *generating value* to organization.

The two main ways in which this can be achieved are:

1. Potential to *increase revenue* arising from increased reach to larger customer base and *encouraging loyalty* and *repeat purchase* amongst existing customers.
2. *Cost reduction* achieved through delivering services electronically. Reduction include staf costs, transport costs and costs of materials such as paper.

Tangible benefit from e-commerce and digital business

- **Increased sales** from new sales leads giving rise to increased revenue from:
 - New customers, new markets
 - Existing customer (cross-selling)
- **Marketing cost reductions** from:
 - Reduced time in customer service
 - Online sales
 - Reduced printing and distribution costs of marketing communications
- **Supply chain cost reductions** from:
 - Reduced level of inventory
 - Shorter cycle time in ordering
- **Administrative cost reductions** from more efficient routine business processes such as recruitment, invoice payment and holiday authorization

Intangible benefit from e-commerce and digital business

- Corporate image communication
- Enhancement of brand
- More rapid, more responsive marketing communications, including PR
- Faster product development lifecycle enabling faster response to market needs
- Improved customer service
- Learning for the future
- Meeting customer expectations to have a website
- Identifying new partners, supporting existing partners better
- Better management of marketing information and customer information
- Feedback from customers on products

Risks and barriers to digital business adoption

- One of the main strategic risks is *making the wrong decision* about digital business investments
- Many companies have invested in digital business without achieving the hoped-for returns, either because the *execution of the plan was flawed*, or because the *approaches were inappropriate*
- The impact of the internet and *technology varies by industry*
- There are also *many practical risk to managed with*, if ignored, can lead to bad customer experience and bad news stories with damage the reputation of the company.

Examples of poor online customer experience

- Website that fail because of a spike in visitor traffic after a peak-hour TV advertising campaign.
- Hackers penetrating the security of the system and stealing credit card details.
- A company emails customers without receiving their permission, so annoying customers and potentially breaking privacy and data protection laws.
- Problem with fulfillment of goods ordered online, meaning customer orders go missing or are delayed.
- Email customer service enquiries from the website don't reach the right person and are ignored.

Drivers of consumer technology adoption

1. Content
2. Customization
3. Community
4. Convenience
5. Choice
6. Cost reduction

Barriers to consumer Internet adoption

1. No perceived benefit
2. Lack of trust
3. Security problems
4. Lack of skills
5. Cost

Main source

- Chaffey, D. (2015) E-Business and E-Commerce Management: Strategy, Implementation and Practice, 6th edition. Pearson Education Limited, Harlow, UK.
- Chaffey, D. and Ellis-Chadwick, F. (2012) Digital Marketing: Strategy, Implementation and Practice, 5th edition. Financial Times Prentice Hall, Harlow, UK.

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