

efuturecentre



Understanding Your E-Business Options

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THE BUSINESSLINK
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Understanding Your E-Business Options

We will be the last generation to question the need, importance, and relevance of e-business. E-business, or electronic business, refers to the use of the Internet and the web to perform business processes.

Often the terms “e-business” and “e-commerce” are used interchangeably. E-commerce, however, refers to online sales, while e-business encompasses all business transactions—from marketing, accounting, and operations to procurement and supply chain management. This *E-Business Bulletin* was developed for potential entrepreneurs and small business owners who are considering their e-business options. It will help broaden your understanding of e-business, planning and strategy, and various e-business options.

What is E-Business?

While e-business certainly introduces new challenges and opportunities, it still boils down to using the web more effectively in your business processes. E-business is not a new concept. Banks have been sending electronic fund transfers (EFTs) to move money around the world for decades. Large businesses have used electronic data interchange (EDI) to place orders and send invoices since the 1960s. What *is* new is the accessibility of e-business now to small businesses in terms of cost and simpler set-up. E-business can provide an effective way for your business to become more efficient and to respond to new customer and competitive demands.

E-business is about business first, technology second. Many of the failures in the “dot-com meltdown” of the late 1990s were related to poor planning, lack of experience, weak business models, and reckless spending. E-business success requires careful planning, preparation, execution, and refinement.

Why E-Business?

Like the telephone, fax, and calculator, e-business is simply a tool that can enable you to increase productivity, improve your customer service, and reduce costs. Consider the top 5 reasons how you might use e-business in your company:

1. To respond to new customer and competitive demands

E-business does not replace traditional business practices, but rather enhances and complements them. While many customers are satisfied with the traditional buying process, a growing number of customers prefer the convenience, lower costs, wider selection, customization opportunities, and improved communication that e-business offers.

The only meaningful long-term competitive advantage you have is to never stop learning, growing, innovating, and improving. So while some companies may ignore this new business tool and, consequently, watch their market share erode, others are embracing e-business as a way to serve new customer needs and to compete more effectively.

2. To extend your customer base

Typically, this is the benefit most commonly associated with e-business. E-business provides a way to market and sell your product around the globe. A carefully planned web site and a *targeted* marketing strategy can enable you to develop new niche markets, become an instant exporter, and provide product information 24 hours per day, 7 days per week. As, say, an instant exporter, are you prepared to sell products in Mexico or to provide customer service in Chinese? To be effective, you really need to focus your efforts and carefully plan your e-business strategy.

3. To enhance your productivity

Companies can use e-business to be more productive by reducing duplication, improving communication, and streamlining processes. Consider e-mail. E-mail can facilitate quick and efficient communication with clients, staff, and suppliers. And it's very inexpensive to set up. You might also consider setting up a web site to answer frequently asked questions (FAQ), save money on printing and paper handling costs, and coordinate your supply chain.

4. To lower your procurement and inventory costs

Your e-business activity not only can assist your business in buying supplies, but also in competing on electronic procurement tenders. You can research supplier catalogues online and easily compare product features and prices. Increasingly this research can be done through an electronic marketplace that provides you access to many competing suppliers. Many government tenders are now posted to web sites and business subscribers to these tendering service can access these opportunities electronically. E-business can also help you forecast and monitor inventory levels.

5. To improve your customer service

Sometimes entrepreneurs and customers do not associate improved customer service with e-business, because there is less face-to-face interaction with clients. However, many people prefer to research product information, download software updates, pay bills, and check warranty information online—all of which are examples of customer service. You can use your web site to gather customer feedback that will help you tailor your products/services to your customers' needs.

E-Business Planning: Where to Begin?

E-business is *still* business. While technical experts can make your e-business activities functional, it's really the business expert that will make the activities successful. Who best understands your customers and your business processes? You do.

Your best place to begin in e-business planning is to prepare an *e-business plan*. An e-business plan is similar to a traditional business plan with some new elements. These elements focus on the web as a marketplace, communication tool, and business channel.

The e-business plan is a roadmap that includes your organization's objectives, competitive analysis, marketing strategy, operations plan, implementation schedule, and financial analyses. Below is a checklist that will help with your e-business planning.

E-Business Planning Checklist

You will want to review the layout of a traditional business plan and pay special attention to the following areas:

1. Take a careful look at your business – Analyze your business processes and look for ways to eliminate inefficiencies. In addition, identify ways that your online strategy can complement your offline business strategy.

- Which of my products/services are suitable to be promoted or sold on the web?
- What sets my company apart from my competitors?
- Where do I see my company in 3 years?
- Where are there opportunities to reduce my costs and improve my operations?
- How can I integrate my online and offline business operations?

2. Start your preliminary research – In this preliminary stage you can explore what other businesses are doing on the Internet, both in your field and in others. This will allow you to determine how web sites are structured, how they function, and what opportunities may exist for your company.

- Which e-business options make sense? How much will they cost?
- Do I have a list of web sites that I like?

3. Define your goals – After exploring various e-business options and approximate costs, you need to decide what makes sense for your business and set specific goals.

- What will be the purpose of my e-business activities now and in the future (i.e., increase sales, reduce costs, enhance customer service, etc.)?
- How will I measure the success and return on investment (ROI) of my e-business activities?
- What type of commitment will be required in terms of money, time, staffing, software, and hardware to build, implement, and maintain my e-business?

4. Research your industry – Industry research should include a broad view of trends in your industry and e-business opportunities.

- How is my industry making use of e-business?
- Have I taken into account industry failures and successes in my planning?
- What regulations impact my industry?
- Are there any new competitive threats in my industry?

5. Research your customer – Your product, service, and e-business strategy must be ideally suited to the existing market and provide what customers want, need, and are willing to pay for. You need to identify your primary and secondary target markets and to assess the potential for your e-business to serve their needs.

- Who are my customers? What are their specific needs and wants?
- What common characteristics do my customers share (e.g., age, income, lifestyle, Internet usage, location, etc.)?
- What are my customers' buying habits? How will they react to my e-business activities?

6. Research your competition – Your competitive analysis should identify current and potential competitors as well as their strengths and weaknesses. This information will equip you to determine your company's competitive edge.

- What are the strengths and weaknesses of my current and potential competitors?
- How will my web site be positioned in relation to my competitors?
- How are my competitors using e-business in their operations?

7. Establish your marketing strategy – The marketing section should outline your e-business' product, pricing, distribution, and promotional strategies

- What products or services will be supported by my e-business?
- How will I set my prices in relation to my current pricing strategy?
- How will my products and services be delivered to customers?
- Am I prepared to export or to ship outside of my current market area?
- Have I taken into account all shipping costs and export requirements (e.g., shipping, tariffs, permits, insurance, labeling, and documentation)?
- How will I drive traffic to my web site?
- How will I encourage new users and repeat visitors to use my web site?
- How will my sales inquiries be handled?
- How will I provide customer support?
- How will I establish my credibility online?

8. Establish your implementation and operations plan – Define the responsibilities, staffing requirements, and equipment that will be required to set up your e-business.

- Have I reserved my domain name (e.g., CIRA.ca, ICANN.org, netsol.com)?
- What are my web content and graphic requirements?
- How can I make my web site or e-business process easy to use?
- Who are my potential partners and intermediaries (e.g., Internet Service provider, web host, web developer, security expert, cyberlawyer, bank, payment gateway, marketplace, cybermall)?
- What equipment will I need (e.g., server, operating system, hardware, database)?
- How flexible or scalable will my e-business activities be to adapt to changing markets, customer needs, and server demand over time?
- What are my site maintenance requirements?
- What legal agreements will I require (e.g., privacy policy, service agreements, development contracts)?
- What staff resources, documentation, and training will be required?
- Have I created an implementation schedule outlining milestones, timelines, and team responsibilities?

10. Create your financial schedules – Bottom line, how much will the venture cost and when will it become profitable? Calculate and evaluate projections on your costs, revenues, and return on investment.

- What are the total projected costs? Am I aware of all costs (e.g., secure site certificate, legal agreements, security assessment, Internet Merchant Account, commissions, search engine registration fees, personal time investment)?
- How will my company benefit from e-business in the short and long term?
- What is my breakeven point?
- What is my projected return on investment?

11. Format and assess the e-business plan – Place the information and research you have collected into a standard e-business plan format and consult professionals to see if the business model makes sense.

E-Business Options

E-Mail and Internet Capabilities

Your first option is to get connected to the Internet and to set up an e-mail address.

E-mail can enhance your communication with partners, suppliers, and customers by:

- Keeping partners and business associates informed on projects and meetings
- Transferring documents for development, review, or revision
- Communicating messages to specific client groups
- Receiving e-mail from any Internet connection (i.e., web-based e-mail)

You can also use the web and e-mail for purchasing, market research, and marketing by:

- Comparing supplier prices and product specifications online
- Exchanging order forms and invoices
- Accessing electronic databases to gain market intelligence
- Seeking advice from similar businesses outside your competitive market
- Responding to customer inquiries
- Bidding on tender opportunities
- Sending permission-based e-mail

Web Site Capabilities

Once you have made the most of your e-mail capabilities, you may wish to consider creating a web site for your business. Web sites can range from very simple online brochures to very complex electronic storefronts or marketplaces.

Web sites can be used to:

- Promote your products or services
- Sell products directly to your customers
- Generate greater awareness of your business
- Distribute business information to customers and company stakeholders
- Gather client information and feedback

E-Commerce Capabilities

The next step would be to consider buying and selling products and services online. Consider the following types of e-commerce:

- Business-to-business e-commerce (B2B)
- Business-to-consumer e-commerce (B2C)

Business-to-Business E-Commerce (B2B)

B2B e-commerce refers to electronic transactions between companies and their employees and suppliers. B2B e-commerce accounts for the lion's share of e-business. Online business marketplaces, portals, and exchanges can provide e-procurement, supply chain management, and trade opportunities for both buyers and sellers.

There are several types of B2B e-commerce sites, ranging from (1) private stores on sellers' sites; (2) customer portals; (3) industry marketplaces; and, (4) private company marketplaces. Through these web sites you can research products and prices, bid online, and purchase products or services.

B2B e-commerce can be approached from a "sell-side" or a "buy-side" perspective. On the one hand, there are companies that set up web sites to sell products ("sell-side"); on the other hand, some cities, governments, and large companies set up sites to post tenders online ("buy-side"). Either way, it is easy to compare prices, set up delivery schedules, purchase products, and track information. Some B2B sites also include auction, collaboration, and project management capabilities.

Business-to-Consumer E-Commerce (B2C)

B2C e-commerce refers to businesses selling their products or services to consumers directly online. Virtually all goods and services can be sold online. Online retailers, or “e-tailers”, are selling more than books, music, collectibles, clothing, and consumer electronics for sale online; they are also selling financial products, airline tickets, health information, digital goods, and real estate.

There are basically four ways to sell your product online:

Option	Advantages	Disadvantages
1. Basic browser-based storefront creation service	<ul style="list-style-type: none"> • Easy to use, fast set-up • All tasks handled in browser • Updates made easily • No need for a separate web site 	<ul style="list-style-type: none"> • Limited layout flexibility • Generic store design • User interface may be slow • Customization may not be possible
2. Stand-alone shopping cart software	<ul style="list-style-type: none"> • More control over layout & design • Good for firms with existing web sites • Highly customizable 	<ul style="list-style-type: none"> • Requires installation & set-up • Requires some technical knowledge • Usually needs additional programming
3. Online marketplace or cybermall	<ul style="list-style-type: none"> • Potentially high visitor traffic • Site creation & maintenance performed in browser • Can complement a stand-alone store 	<ul style="list-style-type: none"> • May not be able to use your domain name • Must conform to site policies • May require a commission on sales
4. Advanced B2C e-commerce software	<ul style="list-style-type: none"> • Fully customizable • Complete storefront solution • Often includes advanced features like site analysis 	<ul style="list-style-type: none"> • Need to install software • May require programming expertise • May involve long set-up

When Opportunity Clicks...

The Business Link's **E-Future Centre** is committed to helping you understand e-business and its role in your organization. The **Centre** is recognized by the federal and provincial governments as the first stop for e-business information in Alberta. Find the information, contacts, and advice you need to make more informed e-business decisions.

Call our experienced, e-business experts for answers to your questions in confidence, or explore our informative, easy-to-use web site. From personal service to practical e-business seminars, the **E-Future Centre** works hard to provide Alberta businesses with practical, relevant, and timely e-business information.

And it doesn't stop there. At The Business Link (www.cbsc.org/alberta), you will also find information on the "ins and outs" of starting or expanding your business in Alberta.

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