



Where E-Commerce Can Take You

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Where Electronic Commerce Can Take You

Once a business has established a presence on the Internet, it can take advantage of the opportunities electronic commerce presents as it grows. Advances in technology will continue to enhance e-commerce by making business-to-consumer (B2C) transactions more personal and accurate. Beyond selling directly to consumers lies the world of business-to-business (B2B) and supply chain management. As technology continues to evolve, new uses for electronic commerce will develop.

Continuing Advancements

Electronic commerce will follow advancements in wireless technology and data mining. For example, wireless technologies will allow you to order groceries from your car and pick up the products at a drive-through window. Extending that further, the possibility exists that your fridge will order the groceries, notifying a computer in your car about cost and directions to the pick-up site that is conveniently located between work and home.

As mentioned earlier, data mining starting to be used to studying buying patterns to identify needs and remember preferences. For example, E*Trade, an online brokerage service, uses data mining to prospect for new customers and fine tune its marketing strategies.ⁱ Information stored through customer transactions identifies buyer behaviour and anticipates changing needs. Advertising budgets can be better focused when clients' interests are known.

Another example of data mining use is sales forecasting done by John Deere. Computers have replaced the field force's equipment sales forecasts. By studying such factors as farm trends, crop prices, production levels and commodity futures, forecasts become more accurate.ⁱⁱ Reduced inventory costs and more focused marketing campaigns are the result of accurate forecasting. Although E*Trade and John Deere are large businesses, the future of data mining applications is with small businesses.

Business-to-Business (B2B)

An important point to remember about electronic commerce is that its growth leads to the development of new ways of doing business. For example, the development of business portals addresses the problem of finding the best supplier or retailer with which to do business. Prior to the emergence of business exchanges, scouring the Internet for a company that exactly matched your criteria was time-consuming and frustrating. These intermediaries now perform the function of bringing buyers and sellers together—virtual middlemen.

Business exchanges operate as catalogue sites, exchange sites, and auction sites. Catalogue sites simply match up buyers with sellers buy specified products and prices. Their transactions are usually frequent and often of medium to low value. Exchange sites are more sophisticated as they operate the same way as financial exchanges and are used for trading commodities like paper and electricity. The final type of business portal site is an auction site where surplus inventory is often sold.

Working in conjunction with other retailers can introduce an economy of scale. Business-to-business e-commerce can enhance purchasing power by giving access to a wide range of suppliers. If one supplier cannot meet price and schedule requirements, B2B e-commerce makes it easy to shop around for a replacement.

Beyond choosing suppliers, there are many possible uses of B2B sites by retailers, including:

- Consolidating orders with other retailers to obtain discounts from manufacturers
- Auctioning off excess inventory for quick liquidation, thus freeing inventory dollars
- Exchanging assets or selling them for cash
- Selling back-haul services for the trucks used to distribute goods to the stores
- Arranging to share transportation costs
- Increasing inventory management and lowering costs

The future of B2B on the Internet is likely to result in a series of interconnected exchanges. Transactions will take place inside the “home” exchange, if possible, and then routed through connected exchanges until the transaction is completed.

Supply Chain Management

E-commerce provides one of the best opportunities for improving the supply chain—right from manufacturer to consumer. With supply chain management achieved through electronic commerce, suppliers’ potential to establish direct links with manufacturers and consumers will save time and money.

Just-in-time (JIT) inventory, customized production, and accurate forecasting promoted by electronic commerce ensure that there are fewer overloaded warehouses. Imagine an employee of a hardware store grabbing the second last can of red paint from the back to fill up the shelves in the front. The shelf’s automatic sensor notifies the store manager of the need to order more red paint and automatically puts an order into the supplier. The supplier’s computer accepts the order and notices that red paint is selling faster than expected throughout Alberta.

The supplier’s computer sends a message to the manufacturer’s computer stating that red paint production must be increased. Automatically, the production line switches to produce twice as much red paint as it had been producing. Within a very short time, the red paint is received at the same hardware store that started the process.

Electronic commerce can efficiently manage the supply chain. As shown above, supply chain management requires integration of manufacturers, suppliers and retailers. The supplier’s computers that take the order and pass down the production instructions to the manufacturer, ensure the product moves efficiently throughout the chain. The manufacturer’s automated production line provides the responsiveness that is required to meet customer demand. In the near future, a company’s performance will be measured by integration efficiencies.

Summary

Electronic commerce is more than just selling your products online. It allows you to find suppliers and build relationships. It enables stores, suppliers, and manufacturers to integrate their ordering systems in order to decrease waste and increase productivity. Electronic commerce will continue to change in response to new technology and uses.

For more information on the topics in this chapter, see:

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Vargas, M., "Is Retailing Ready for Business-to-Business?" online: www.about.com "retail industry," Feb. 27 – Apr. 3.

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Western Economic Diversification Canada, *Vision 2004: A Vision of Electronic Business in Western Canada in 2004*, 2000.

Endnotes

ⁱ Information Discovery Inc. online: www.datamine.aa.psiweb.com/casestudies.htm.

ⁱⁱ Information Discovery Inc. online: www.datamine.aa.psiweb.com/casestudies.htm.