



UNDERSTANDING YOUR E-BUSINESS OPTIONS

SMALL BUSINESS SUCCESS SERIES
DEVELOPED BY:

Alberta


THE **BUSINESSLINK**
Business Service Centre

Many entrepreneurs are adding e-business to their traditional enterprises and some new businesses are based exclusively on e-business strategies. This bulletin was developed for potential entrepreneurs and existing small business owners who are considering e-business.

What is E-Business?

Electronic business, or e-business, means using the Internet and the web to perform business processes. Although the terms *e-business* and *e-commerce* are used interchangeably, e-commerce refers to selling online, while e-business encompasses all business transactions—marketing, accounting, operations, procurement and supply management. E-business is about using web technology to enhance your business practices.

E-business is not a new concept. Banks have been using electronic fund transfers to move money around the world for decades. Large businesses have used electronic data interchange to place orders and send invoices since the 1960s. What *is* new is the current accessibility of e-business to small businesses due to reduced costs and simpler set-up.

Why Get Into E-Business?

Like electronic tools developed earlier, including the telephone, fax and calculator, e-business is simply a tool that can enable you to broaden your customer service approach, increase productivity and reduce costs. Consider the top five reasons to use e-business in your company:

1. Extend your customer base

E-business provides an easy, low-cost mechanism to market and sell your products and services to customers anywhere. 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 and service information 24 hours a day, 7 days a week.

2. Respond to new customer and competitive demands

A growing number of customers prefer the shopping and communication convenience, wider product selection (including customized products) and lower costs that e-business offers. Your competitors may be embracing e-business. Therefore, you may want to consider e-business to compete effectively.

3. Enhance your productivity

Companies use e-business to be more productive by reducing duplication, improving communication and streamlining processes. E-mail, for example, facilitates quick, 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, save money on printing and paper handling costs and coordinate your supply chain.

4. Lower your procurement and inventory costs

Your e-business activity can help you to buy supplies efficiently. You can research supplier catalogues online and easily compare product features and prices from many competing suppliers. E-business can also help you forecast and monitor inventory levels. Also, you can use e-business to compete on electronic procurement tenders. Many government tenders are now posted on web sites so businesses can access these opportunities electronically.

5. Improve your customer service

Many people prefer to research product information, download software updates, pay bills and check warranty information online—all examples of enhanced customer service. You can use your web site to gather customer feedback that helps you tailor your products and services to your customers' needs.

Issues

There are issues associated with e-business that need to be addressed before you proceed:

1. Cost

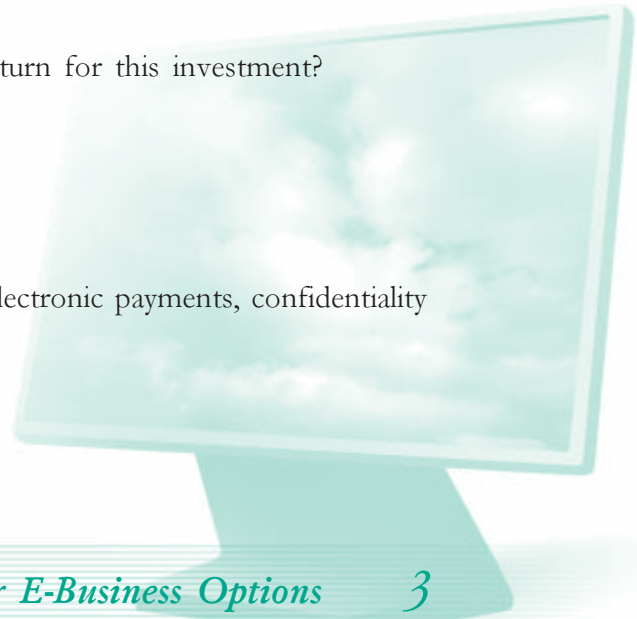
How much will this cost? Will I receive enough return for this investment?

2. Technical support

Where can I find suitable expertise?

3. Security

What security do I need? This includes security of electronic payments, confidentiality of information, and protection from viruses.



4. Risk/capability

Am I prepared to ship products to distant, unstable countries or provide customer service in another language?

Consider Your E-Business Options

1. E-mail and Internet

You can easily get connected to the Internet and set up an e-mail address. E-mail can enhance your communication with partners, suppliers, and customers in many ways:

A. Marketing

- a. Promote products and services to specific client groups and respond to customer enquiries
- b. Bid on tender opportunities

B. Communication

- a. Keep partners and business associates informed about projects and meetings
- b. Transfer documents for development, review, or revision
- c. Exchange order forms and invoice
- d. Send permission-based e-mail such as subscription newsletters

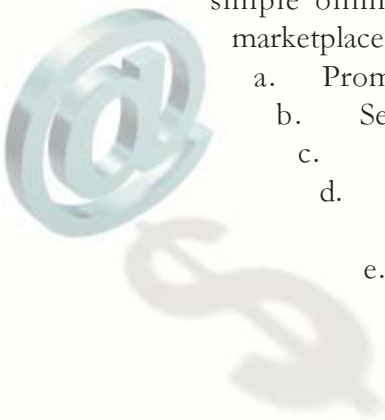
C. Research/intelligence gathering

- a. Compare supplier prices and product specifications online
- b. Access electronic databases to gain market intelligence
- c. Seek advice from similar businesses outside your competitive market

2. Web site

Consider creating a web site for your business. Web sites range from very simple online brochures to very complex electronic storefronts or marketplaces. You can use a web site to:

- a. Promote your products or services
- b. Sell products directly to your customers
- c. Generate greater awareness of your business
- d. Distribute business information to customers and company stakeholders
- e. Gather client information and feedback



3. E-Commerce

Once you market your products and services online, the next step is to buy and sell online either business to business (B2B) or business to consumer (B2C).

A. Business-to-Business E-Commerce (B2B)

B2B e-commerce is about electronic transactions between companies. For example, B2B marketplaces enable suppliers to access new customers, track sales more efficiently, reduce paperwork, and improve order accuracy. Buyers normally register free of charge to compare products and prices more easily. These marketplaces can also help reduce purchasing costs. B2B opportunities online account for most e-business.

Examples of B2B e-commerce and how you can use it:

- a. product catalogues, bill payment, order tracking, warranty information, and/or purchasing tools on a seller's web site.
- b. online B2B marketplaces that are focused on a specific industry (e.g., steel, agriculture, oil and gas) or maintenance, repair, and operations products that are useful across various industries (e.g., tires, cleaning supplies, paper and pens).
- c. request for quotation (RFQ) or request for proposal sites (e.g., Alberta Purchasing Connection, Merx).
- d. online project management tools that improve collaboration between companies.

B2B e-commerce can be approached from a *sell-side* or a *buy-side* perspective. There are companies that set up web sites to sell products (sell-side). Conversely, 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.

Virtually
all goods
and services
can be
sold online.

B. Business-to-Consumer E-Commerce (B2C)

B2C e-commerce incorporates businesses selling their products or services to consumers online. Virtually all goods and services can be sold online. Online retailers, *or e-tailers*, sell more than books, music, collectibles, clothing and consumer electronics online. They also sell 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. Browser - based storefront	<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 • Easy to add to existing websites • 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

How Do I Start?

Start with your business plan. Does e-business fit with your vision for your business? If YES, add an e-business component to your plan. Incorporate your e-business ideas into your plan under your organization's objectives, competitive analysis, marketing strategy, operations plan, implementation schedule and financial analyses.

E-Business Planning

Here are a number of steps we recommend you take as you incorporate e-business into your strategies.

Step 1. Review your business

Analyze your business processes and look for ways to eliminate inefficiencies. Identify ways that online technology can complement your regular business practices. Consider the following:

- a. Which of my products or services are suitable for web-based marketing and sales?
- b. How can I use e-business to set my company apart from my competitors?
- c. What do I need to do to integrate my online and offline business operations?
- d. How can I reduce my costs and improve my operations?

Step 2. Assess what other businesses are doing

Explore what other businesses are doing on the Internet, in your field and in others. This will allow you to experience how web sites are structured and function and discover opportunities for your company. Examine:

- a. Which e-business options might work in my business?
- b. Which features of other web sites might I incorporate into my web site?

Step 3. Define your goals

Set specific goals for your business. Also think about:

- a. What do I want from my e-business activities: increase sales, reduce costs, enhance customer service, etc.?
- b. How will I measure the success and return on investment of my e-business activities?
- c. What commitment is required to build, implement and maintain my e-business: money, time, staffing, software and hardware?

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Step 4. Examine your industry

Take a broad view of trends in your industry related to e-business opportunities.

- a. How is my industry using e-business?
- b. What regulations impact my industry?
- c. Are there any new competitive threats in my industry?
- d. Are there industry successes and failures that I should learn from?

Step 5. Research your customer

Assess the potential for e-business to serve the needs of primary and secondary target markets you have already identified in your business plan.

- a. Do my customers use the Internet now?
- b. How might they respond to my e-business initiatives?

Step 6. Assess your competition

This information will equip you to determine your company's competitive edge.

- a. How are my competitors using e-business in their operations?
- b. How will my web site be positioned in relation to my competitors?

Step 7. Establish your marketing strategy

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

- a. What products or services will be supported by my e-business?
- b. How will I set my prices in relation to my current pricing strategy?
- c. How will I encourage new users and repeat visitors to use my web site?
- d. How will I handle sales inquiries and provide customer support?
- e. How will I establish my credibility online?
- f. How will my products and services be delivered to customers? If I export outside of my current market area, have I taken into account shipping, tariffs, permits, insurance, labeling, and documentation costs and export requirements?

Step 8. Develop your implementation and operations plan

This includes identifying steps, responsibilities, staffing requirements and equipment required to set up your e-business.

- a. Development — What web content and graphics do I want? How can I make my web site or e-business process easy to use? Will my e-business activities adapt easily to changing markets, customer needs and server demand over time? What are my site maintenance requirements? Have I reserved a web site domain name?
- b. Resources — What staff resources, documentation and training are required? What technical support do I need e.g., Internet Service Provider, web host, web developer, security expert, cyber-lawyer, bank, payment gateway, and cybermall?
- c. Hardware — What equipment do I need (e.g., server, operating system, hardware, database)? What will this cost?
- d. Legal — What legal agreements do I need to establish (e.g., privacy policy, service agreements, development contracts)?
- e. Schedule — Have I created an implementation schedule outlining milestones, timelines and team responsibilities?

Consult
professionals to
confirm your
business model is
feasible.

Step 9. Develop your financial projections

Calculate and evaluate projections for your e-business costs, revenues, and return on investment.

- a. What are the total projected costs including secure site certificate, legal agreements, security assessment, Internet Merchant Account, commissions, search engine registration fees, personal time investment?
- b. How will my company benefit from e-business in the short and long term?
- c. What is my breakeven point?
- d. What is my projected return on investment?

Step 10. Format and assess your e-business plan

Place the information you have assembled into a standard e-business plan format. Consult professionals to confirm your business model is feasible.

Conclusion

E-business has the potential to increase the scope and profits of your business. Used effectively, you and your staff will be more productive as you serve greater numbers of customers in a wider marketplace at lower costs.

At the same time, effective use of e-business requires considerable thought and planning combined with a readiness to invest in technical and human resources to do it right.



Other bulletins and guides in The Business Link's Small Business Success Series are available on-line at www.cbsc.org/alberta/SuccessSeries.cfm.

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