

eBCM Mindset: **AWARENESS AND MOTIVATION**

LEARNING OBJECT #01

GENERAL INTRODUCTION OF eBUSINESS

BENEFITS, OPPORTUNITIES, CHALLENGES AND HINDRANCES

Outline

- What is eBusiness?
- Key principles of eBusiness
- Benefits and opportunities
- Challenges and hindrances

What is eBusiness?

The Internet as a fundamental platform of worldwide eBusiness has emerged both as the world's major distribution channel for goods and services and as its platform for international cooperation between business partners. This is profoundly changing economics, markets and industry structure, products and services and their flow, consumer segmentation, consumer values, consumer behaviour, jobs and labour markets.

The term eBusiness refers to the utilisation of ICT to maximize efficiency in business operations, with respect to internal and external processes. More simply, eBusiness can be defined as *“doing business electronically in support of organisational goals”*.

When is an enterprise doing eBusiness? The following list gives some examples:

- It communicates electronically with its business partners, customers and suppliers.
- It communicates electronically with other enterprises to order products and services.
- It sells products or services via a website.
- It uses the Web to find information, such as prices and reviews of products.
- It uses the Web for research, such as the latest industry trends.
- It uses a website to provide information about its products and services.
- It uses the Internet for online banking and for paying its bills.

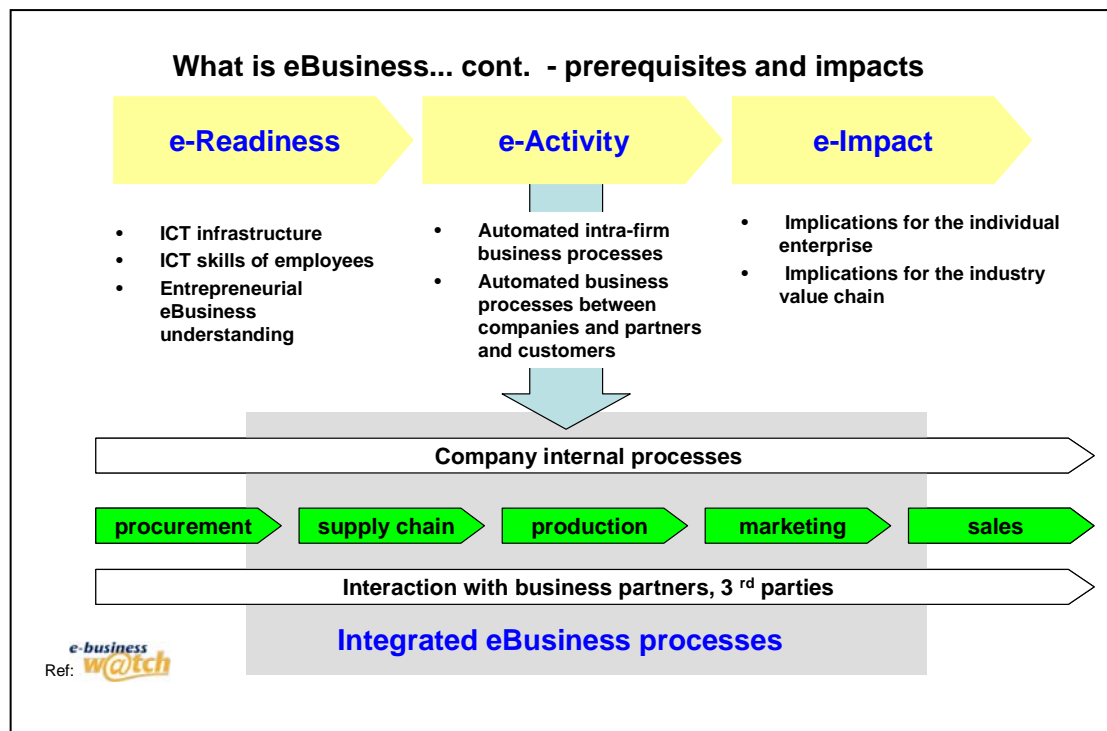
No type of eBusiness is necessarily better than any other. It's up to each business to determine what types of eBusiness are right for them. eBusiness affects how a company views its strategy and operations; it is more than just technology. Most businesses have started the process of transformation into eBusiness by investing in email, a web presence, and intranets. These form the foundation for a company's eBusiness strategy and create a basis from which an improved business-to-business and business-to-consumer relationships can be established.

A company should re-examine its way of doing business occasionally and ask itself what it should be and what its focus should be in the Internet age. Expertise from both business and ICT should be used: eBusiness should be business rather than technology driven. The core business processes should be identified, the real and potential eBusiness opportunities analysed, and integration of eBusiness into existing business systems planned.

Incorporating ICT technology into core business processes enables new levels of relationships to be established with customers, distributors, suppliers and partners. The main areas eBusiness can maximise business value are: customer relationships, supply chain management and e-commerce. By using ICT technology, these three business-critical processes can be transformed into a single, streamlined system.

An enterprise's eBusiness could be looked at in four key "quadrants":

- **eBusiness strategy and direction** - addressing the threats and opportunities of eBusiness. The most appropriate for an enterprise may be "watch and wait", but even if this is the strategy, the enterprise should still have gone through a process to reach the conclusion. More involved responses may include working with customers' eBusiness initiatives; implementing e-Procurement; transacting using an eBusiness marketplace; or supply chain collaboration.
- **Relationships and communities** - the interaction of eBusiness with key stakeholders: customers, partners, employees, trading partners, competitors or government agencies.
- **Communications and information** - how an enterprise can improve, enrich, change the information flow with stakeholders through eBusiness. This may involve examining the volume of information available for use.
- **Process and culture** - the effect that eBusiness has on the processes at the core of a business organisation and on current business culture. If sustainable performance improvement from eBusiness changes is wanted to be gained, one will need to adapt the way to work, and change the processes similarly.



Key principles of eBusiness

eBusiness is global by nature. However, that is more a vision of the future than the reality of today. The business of big companies is more and more international and eBusiness tools are critical to their success. eBusiness simplifies international business also for SMEs and offers big markets, but most of SMEs are today satisfied with domestic or local business.

The eBusiness communications network is global even where eBusiness is local. eBusiness is simultaneously an opportunity and a threat. As an enterprise can enter new markets with it, so can a foreign company enter domestic markets with it. Thus, not even an enterprise with only local operations can totally forget eBusiness.

eBusiness should make choice available to consumers and, where appropriate, business with respect to privacy, confidentiality, content control and, under appropriate circumstances, anonymity.

A high level of trust in the global information infrastructure and services should be pursued by mutual agreement, education, further technological innovations to enhance security and reliability, adoption of adequate dispute resolution mechanisms, and private sector self-regulation.

eBusiness has both industry and enterprise level impacts. It has redefined enterprise and industry boundaries creating digital winners and losers along the way. Its impact on the structure and the nature of industries is indelible: value chains are being transformed; business that used to be integrated can now be unbundled with the help of ICT and new integrated business can emerge.

At the enterprise level a firm's market positioning within the industry, internal capabilities and strategy typically influence the decision to deploy eBusiness. eBusiness may have significant effects within the organisations. While improving the market position of the enterprise it may cannibalise old methods of operations and even products and services.

Benefits and opportunities

Benefits and opportunities an enterprise can have when using eBusiness are related to its eBusiness strategy and commonly are multiple. eBusiness should help the enterprise in meeting its business goals and the needs and expectations of its customers, partners and suppliers. An enterprise should become more competitive.

New business models and more revenue

The enterprise can create additional revenue. Some businesses are fortunate because they provide information, goods and services that users are willing to purchase online. Such sectors are travel, financial services, books, CDs, entertainment and many items traditionally bought through mail-order catalogues. For many businesses this is a whole new revenue stream. One of the great benefits of eBusiness is that it can help broaden an enterprise's customer base at a relatively low cost. As more and more people get access to the Internet and become confident eBusiness users, the potential to expand customer-bases will increase proportionately. An appropriately designed and promoted website can attract new customers and open new markets for products and services e.g. by providing affordable access to customers globally and offering access to products and services for people with a disability.

For some, their website will not generate income directly; rather it supports their offline activities and contributes to meeting business goals and financial targets. The Internet can be used to help businesses research their business plans and as a tool for achieving the aims of the plan. The Web provides a relatively cheap means of investigating competitors, testing out the market, entering new markets and seeking new strategic partners.

Extended hours: 24/7/365

Increasingly today, the terms "available" and "accessible" to a business mean twenty-four hours a day, seven days a week access to information, products and services. Customers, suppliers and interested parties are less and less satisfied with being restricted to the traditional opening hours of business and will not be impressed if they cannot do such things as order items or discover information for themselves in the comfort of their own homes and offices when it suits them. The expectations of online audiences will not diminish over time - they will only increase. For example, the increasing ability to provide video and sound online at premium quality and speed is likely to force many businesses into presenting information in multimedia format on their websites. This will raise the bar in terms of delivery methodology, content, structure and quality of online material. To fail to be online or to fail to provide a website that is user-friendly, informative, and up-to-date in every respect is to risk alienating web-enabled customers and suppliers and thereby lose their confidence and business.

Global reach and up-to-date company material

eBusiness can improve marketing and be a highly effective promotional tool. It is another promotional tool that should complement other forms of promotion. Besides being visible to

potential customers and suppliers 24 hours a day, seven days a week it does not know about borders and so is visible to potential customers wherever they are in the world. A great deal more information can be provided on a website than in a brochure and the information can be up-to-date all the time. Products can be illustrated from multiple angles and animations can be used, allowing the user to turn an image of the product around, up and down, giving a better understanding of its advantages. It is also very easy to collate and analyse information about those visiting and buying from the site and equally easy to change the promotional aspects to maximise their impact on sales.

Cost reduction

There are many ways in which an enterprise can save costs and improve operational efficiency through eBusiness. It helps streamline processes. For example, data entered online into the organisation's systems bypasses staff and frees them from unproductive tasks, giving them more time for the things that matter. It can reduce the time staff spend on administrative tasks. Accounting systems reduce the processing of accounts, reconciliation, banking and can improve cash-flow. Communication and meeting costs can be reduced, e.g. email can reduce phone calls and time consumed in arranging and attending meetings. It can reduce staff time on the telephone with customers by providing information to them via website. eBusiness offers also tools for cheaper and faster procurements.

Improved customer relations and service

An enterprise can make it easier for companies and people to do business. A website is an additional tool for facilitating business. It should be quick and easy to navigate, customer focussed, offer abundant relevant information, provide opportunities for two-way communication and provide a variety of convenient ways to do eBusiness. In fact the "cost" of not having credible and effective eBusiness can be measured in terms of lost opportunities to create more revenue and cut costs. Customers can be lost to competitors who do have a good website and eBusiness contacts with customers. An enterprise not using eBusiness may also lose its credibility as an innovative and forward-thinking organisation. For some customers the first impression of company size is an important factor in determining whether they will even walk in the front door. In a website a small business can appear to be as large as any of its larger competitors, and large companies can appear to be as small as the corner shop.

eBusiness can be used to make supply chains more efficient and more reliable. The company can customize its service to customers and have more rapid time-to-market.

eBusiness and its application form a vast subject. Having developed far beyond a mere means of communication, it now points the way forward for all businesses eager to develop their marketing channels, capture new customers and partners. With it an enterprise can build lasting relationships, increase revenues and ensure that it has the competitive edge also in the future. eBusiness is more and more an opportunity an enterprise can't afford to miss.

Challenges and hindrances

eBusiness is still quite young sector, with resulting challenges. Development in different parts of the world may be quite different; the necessary common practices are not yet all there. Developing countries stand to benefit, but large parts of the world still seem hopelessly left out.

Cultural issues

Automated business processes require a cultural change in the way business is conducted and services offered. People typically resist change, especially if they are not sure about the outcome. Not all people know eBusiness well and the effects of eBusiness are so many that there is space for resistance. There is lack of trust and unknown sellers hinder buying, people do not yet sufficiently trust paperless, faceless transactions and some like to feel and touch products. There are security and privacy concerns and the media has continuously news about fraud or possible fraud in the Internet. Because of all this suspicion critical mass of sellers and buyers are still missing in many cases.

Also many legal and public policy issues, including taxation, are as yet unresolved. National and international government regulations sometimes get in the way. There is lack of mature measurement methodology to measure benefits of eBusiness.

Outdated legacy systems

Outdated legacy systems have often proved to be a barrier to implementing eBusiness even where an enterprise itself is willing to make the change. The necessary modifications to systems would be too costly and take a long time. This has inhibited transition to advanced technologies .

High costs

Especially for the SMEs, the cost of automating business operations as well as the cost to a new mindset is perceived to be high. Investing in the latest systems and hiring highly skilled personnel, analysts, researchers and business experts is too expensive. When eBusiness can be implemented by buying necessary functions as services and without major own investments the barriers are smaller, but the service markets are not yet that developed in many countries. Also lack of qualified personnel may further raise costs.

Technological issues

eBusiness technology is still developing very fast and that creates, besides possibilities, a lot of challenges. There are too many standards; universally accepted standards are too few. Application development tools are still evolving and there are difficulties in integrating the internet and eBusiness software with existing applications and databases. Also the telecommunication bandwidth may be insufficient, especially in mobile eBusiness.

In networked eBusiness interoperability is essential, but because of missing universal standards, too few common practices in eBusiness and the will to use technology also as a competitive edge the true interoperability is missing.

Financial issues

There are also financial issues. It may still be difficult to obtain venture capital due to so many dot-com failures. There are also so many free services on the net that in many cases it is challenging to design a profitable business model. People are not used to pay for those services.