

12.10: Information and Business

Learning Objectives

- Explain how businesses use information.

We can summarize how businesses use information by saying, “businesses use information to gain a competitive advantage.”

Simply put a competitive advantage is what makes a business’s goods or services superior to all of a customer’s other choices. Internally, however, we can examine closer how information is used in both primary and support activities within the business.

Information and Primary Business Activities

The primary activities are the functions that directly impact the creation of a product or service. The goal of the primary activities is to add more value than they cost. The primary activities are:

- **Inbound logistics:** These are the functions performed to bring in raw materials and other needed inputs. Information can be used here to make these processes more efficient, such as with supply-chain management systems, which allow the suppliers to manage their own inventory.
- **Operations:** Any part of a business that is involved in converting the raw materials into the final products or services is part of operations. From manufacturing to business process management, information can be used to provide more efficient processes and increase innovation through flows of information.
- **Outbound logistics:** These are the functions required to get the product out to the customer. As with inbound logistics, information can be used here to improve processes, such as allowing for real-time inventory checks.
- **Sales/Marketing:** The functions that will entice buyers to purchase the products are part of sales and marketing. Information is critical to every aspect of sales and marketing. From online advertising to online surveys, information can be used to innovate product design and reach customers like never before. The company website can be a sales channel itself as we have seen with Amazon.
- **Service:** The functions a business performs after the product has been purchased to maintain and enhance the product’s value are part of the service activity. Service can be enhanced via technology as well, including support services through websites and mobile apps.

Information and Support Activities

The support activities are the functions in an organization that support, and cut across, all of the primary activities. The support activities are:

- **Firm infrastructure:** This includes organizational functions such as finance, accounting, and quality control, all of which depend on information; the use of ERP systems is a good example of the impact that information can have on these functions.
- **Human resource (HR) management:** This activity consists of recruiting, hiring, and other services needed to attract and retain employees. Using the Internet, HR departments can increase their reach when looking for candidates. There is also the possibility of allowing employees to use technology for a more flexible work environment.
- **Procurement:** The activities involved in acquiring the raw materials used in the creation of products and services are called procurement. Business-to-Business e-commerce can be used to improve the acquisition of materials.

This brief analysis sheds some light onto how businesses can use information to gain a competitive advantage. As you can see, the use of information cuts across the entire organization. Although the uses may vary from area to area one thing that is consistent is the use of accurate, timely information can improve business processes and thereby enhance the customer experience.

When the customer experience is enhanced, revenues rise, profits rise and business flourishes. Information is quickly becoming the lifeblood of business and its importance in the long-term success of an organization cannot be overstated.

Practice Question

<https://assessments.lumenlearning.co...essments/11099>

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