

4.5: The Three Threads

Learning Objectives

1. Explain how e-business and e-commerce contribute to customer value.
2. Explain how e-business and e-commerce can benefit a company's cash flow.
3. Explain why e-business and e-commerce are becoming increasingly necessary for small business survival.

Customer Value Implications

E-business in general and e-commerce in particular can both contribute to increased customer value. In the case of e-business, moving operations to digital technology can improve productivity, reduce or eliminate duplicative processes, streamline supply chain management and enterprise resource planning, improve customer and vendor relationships, improve business intelligence, increase and improve internal collaboration while doing the same with external business partners. In all instances, the customer, the vendor, and the business partner should realize increased value from doing business with the company in terms of greater efficiency, speed of information flows and transactions, and overall satisfaction.

In the case of e-commerce, customer value is provided via convenience, a greater selection of products, the ability to easily compare prices and services, 24/7 availability, privacy protection, multiple payment options, and reliable order fulfillment processes. Web 2.0, in particular, presents “consumers with a whole array of options in searching for value products and services and finding exactly what they need and want with minimum efforts, in line with the current customer desire for personalization, individual approach and empowerment.” Efthymios Constantinides and Stefan J. Fountain, “Web 2.0: Conceptual Foundations and Marketing Issues,” *Journal of Direct, Data and Digital Marketing Practice* 9, no. 3 (2008): 231–44.

Cash-Flow Implications

The cash flow of a small business should benefit from all the sources of value just mentioned because they should result in lower operating costs, improved customer relationships, and higher sales. In particular, cash flow should increase as a result of the following:

- Prepaid purchases by business-to-business (B2B) customers. This may apply to other e-commerce customers as well.
- Multiple payment options. The greater the number of options, the higher the number of sales and the higher the average order size.
- Lower costs of sales as a result of the reduced need for telephone, travel expenses, and live salespeople.
- Eliminating many steps in business processes and cutting out the middlemen. Tamir Dotan, “How Can eBusiness Improve Customer Satisfaction? Case Studies in the Financial Service Industry,” *University of Amsterdam*, accessed October 10, 2011, www.tamirdotan.com/e-business%20Article.html.
- Saving money on employees and salaries because of **customer outsourcing** (i.e., anything that the customer does individually, things like searching for product or service information, entering his or her billing information, and signing up for an e-mail confirmation. These are things that customer service representatives do not have to do. Dave Roos, “Advantages of E-commerce,” *How Stuff Works*, 2010, accessed October 10, 2011, communication.howstuffworks.com/advantages-e-commerce.htm.
- Increased sales as a result of selling niche products. “It turns out that most small businesses (and start-ups) have relatively niche-y products...The Internet disproportionately favors small businesses since it enables them to position their niche goods to people *shopping for* that particular niche good.” Brian Halligan, “Four Ways the Internet Is Transforming Small Business,” *HubSpot Blog*, October 2, 2006, accessed October 10, 2011, blog.hubspot.com/blog/tabid/6307/bid/50/Four-Ways-the-Internet-Is-Transforming-Small-Business.aspx.

This is not an exhaustive list. However, it is illustrative of the many ways in which e-business and e-commerce can impact the cash flow of a small business in a favorable way.

Digital Technology and E-Environment Implications

Although not all small businesses may choose to go the route of digital technology and the e-environment (e-business and e-commerce), it has been advised on many fronts that small businesses seriously consider creative ways in which to incorporate them all into their operations. Digital technology is difficult to avoid, whether it be computers, **smartphones**, or iPads (see the story of

Lloyd's Construction in Chapter 1). Even on a small scale, digital technology can help improve business processes and keep costs down.

The importance of e-business and e-commerce to small business has been the focus of this chapter. Realistically, neither can be avoided by small businesses that want to grow. E-commerce in particular has opened up the world to small business. Websites have “created a flattening effect in the sense that small businesses and large businesses [are] suddenly on a level playing field...The web [allows] small companies to have the same reach as a large firm. A small company’s web site [can] be viewed a million times just as easily as a large firm’s web site, and that information [is] available worldwide, 24 hours a day. Small businesses [can] now have some of the same abilities as large companies to reach customers with rich content of information about their products nationally or internationally.”Sang-Heui Lee, David DeWester, and So Ra Park, “Web 2.0 and Opportunities for Small Businesses,” *Service Business* 2, no. 4 (2008): 335–45. The small business that wants to grow will ignore e-business and e-commerce at its peril.

KEY TAKEAWAYS

- E-business and e-commerce both contribute to increased customer value.
- The cash flow of a small business should benefit from the customer value offered by e-business and e-commerce.
- Even though some small businesses may choose not to go the route of digital technology, e-business, or e-commerce, it has been suggested that small businesses seriously consider creative ways in which to incorporate them into all operations.

EXERCISES

1. Select three small businesses that engage in e-commerce. Interview the owners and ask them to describe (1) how e-commerce has added customer value and (2) the positive and negative impacts on cash flow.
2. Locate at least one small business that is a nonemployer (i.e., consists of only the owner). Interview the owner about the role that digital technology plays in the business and what his or her plans are, if any, to increase its incorporation. Find out if the business has a website. If it does, are there plans to engage in e-commerce? If the business does not have a website, find out why not and whether there are any plans to create one.

Disaster Watch

I’ve Been Hacked!

Not discouraged by the bad economy, Marnie McCormick opened “The Country Store” in the local shopping center. McCormick had done her homework. She originally leased the store front for a temporary stint, selling a line of unique handcrafted products and locally made foods while asking people what sort of products they wished were available in the area. In this way, she was able to build the kind of store that was needed, using the existing demand to decide what kinds of products she would offer.

McCormick had a myriad of concerns at start-up—inventory, suppliers, marketing, outfitting the store, and administrative systems. What she did not know was that someone had hacked into her computer system. From somewhere unknown, the hard drive of her computer in the store had been hacked. The hackers had downloaded a key-logging program (a virus that makes it possible for the hacker to record all your keystrokes, gaining access to passwords and other sensitive information). The hackers were able to see everything that she typed into the computer: e-mails, communications with vendors and customers, passwords—everything. The hackers only had to wait until she logged into her online bank account before they had all the information they needed for the payoff. She soon discovered that someone had been in her bank account, transferring money at will. The hackers had changed the password. The system crashed immediately.

As soon as she had opened the doors to her new store, McCormick had to close them. What should she do to get her store up and running again? How can she prevent this from happening in the future? Jake Lynch, “Hackers Set Sights on Small Businesses, Households,” *Issaquah Reporter*, August 19, 2010, accessed October 10, 2011, www.pnwlocalnews.com/east_king/iss/news/101077494.html.

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