

# Electronic Commerce

## What is Electronic Commerce?

Electronic commerce (e-commerce) is the use of electronic communication to do business. It may be used to carry out business-to-business or business-to-consumer transactions. It is estimated that 47% of small businesses in Australia place purchase orders over the Internet, while 47% of small businesses pay online for products and services (Yellow Pages E-Business Report: July, 2003).

The real benefit of e-commerce is not that it makes old processes work better, but rather it provides a means to break with tradition and create new ways of doing business. For example, using the Internet will allow some businesses to remain small while building a larger turnover by reducing the cost of doing business. For example, a greengrocer provides a service for people to order fruit and vegetables over the Internet and to have those items delivered at a cost-competitive price, as a consequence people who would not normally shop in that area have become a burgeoning market.

The Internet is now a valuable communication tool which offers small business a great opportunity to market itself internationally and reach a global client base. It is estimated that 81% of small businesses in Australia are connected to the Internet (Yellow Pages E-Business Report: July, 2003).

The best e-commerce solution is dependent on the type of data trading partners need to exchange to run their businesses effectively. It is important to focus on the business process rather than the technical issues such as hardware and software. Different e-commerce tools are suited to different business objectives and different trading partners.

## Types of Electronic Commerce

Electronic commerce is best understood by looking at who is talking to whom and what technology they are using. Using this definition there are four fundamental types of e-commerce:

1. **Person-to-person:** includes telephone, fax and email. The key issue for this type of communication is that the data is unstructured and provides flexibility. However, if data has to be processed, then it is necessary to re-key it into a

computer which takes an operator time, introduces delays and the possibility of entry error.

2. **Computer-to-computer:** includes Electronic Data Interchange (EDI) transmissions, as well as smartcards and bar-coded data. For this form of communication to be successful the data transfer format must be to an agreed standard.
3. **Person-to-computer:** includes electronic forms and the Internet and also Interactive Voice Response (IVR) to telephone services. Examples of this form of communication might be people paying their accounts using IVR or ordering a product on the Internet using an electronic form. This form of communication is only suitable where there are small amounts of data to be input and there are only a small number of options to choose from.
4. **Computer-to-person:** includes computer-generated faxes, email and paper mail. Although the data in these messages is sourced from a computer database and is sent automatically, the end result is that it must be in a form which is understandable to a person who will read and act upon it.

## Benefits of Electronic Commerce

Electronic commerce can provide the following benefits over non-electronic communication:

- **Reduced Costs** - Reduced labour, paper, errors in keying in data, etc.
- **Reduced Time** - Shorter lead times, faster delivery of product.
- **Flexibility with Efficiency** - The ability to handle complex situations, product ranges and customer profiles without the situation becoming unmanageable.
- **Enhanced Long-Term Trading Partner Relationships** - Improved communication between trading

partners leads to enhanced long-term relationships.

- **Lock in Customers** - The closer you are to your customer and the more you work with them to change from normal business practices to best practice electronic commerce the harder it is for a competitor to upset your customer relationship.
- **New Markets** - The Internet has the potential to expand your business into wider geographical locations. However, it is necessary to develop the appropriate production capacity and distribution channels to support market demands generated by promoting your business to a larger marketplace.

### **Electronic Commerce, a Business or Technical Issue**

The biggest mistake made by companies implementing electronic commerce is to focus solely on technical issues. The most successful e-commerce users are those who are re-engineering their businesses to take advantage of the available technology and not falling into the trap of buying in technology that may not fit their business methods, skills or customer interactions.

### **Basic Steps to Expand Your Electronic Commerce Capability**

It is a good idea to stage the implementation of e-commerce so that the business and its employees learn to handle the changing way of doing business.

1. Use email to replace fax. Email is faster and more responsive than fax. It is possible to transmit whole documents by email which can then be edited elsewhere.
2. Use the Internet to locate useful business information. You may access more information on Information Technology and Electronic Commerce [here](#). You may also access the Guide to International Market Research on the Internet [here](#).
3. Provide access to company information on a website. Customers can obtain up-to-date information and the need to print brochures is reduced.
4. Set up a company Intranet. Provides access to important company information to all employees.
5. Carry out business transactions over the Internet. There is the potential to improve access to a larger market and improve business efficiency.
6. Use business-to-business EDI. More accurate, timely and efficient transfer of information.

### **Useful Contacts**

Please visit our links section on our website for a list of useful contacts.

### **About this Brochure**

This brochure and its contents were provided from the Department of State and Regional Development. [www.smallbiz.nsw.gov.au](http://www.smallbiz.nsw.gov.au)



First for Business