

A Road To E-Commerce Success: Joint e-Venture

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According to the Department of Trade and Industry (DTI), approximately 99 per cent of UK businesses have fewer than 50 employees, and these provide about 45 per cent of non-government employment and 38 per cent of national turnover. In such a large market, to think that e-Commerce cannot add value to the operation of an SME would simply be wrong.

SMEs are forever hearing how technology is going to revolutionize the way they operate. Some of them that are part of bigger organizations' supply chains are inevitably pulled into the game, as they can only make tender offers for the production of small parts. Many of the others are aware of something called "e-commerce" but do not understand its real benefits to their businesses; therefore, they can hardly be convinced to take it on board.

Problem: Most SMEs are not fully aware that e-commerce is a great opportunity for their businesses.

The e-commerce hype of the late 90s left some common misconceptions behind, such as the idea that "e-commerce is all about selling over the Internet." This is certainly not the case, and SMEs need to be told that. If they can be made aware of the business benefits and provided a roadmap for implementing e-commerce, there is a great possibility that they will see immediate return on their investment as well as long-term benefits.

SMEs will see immediate return on their investment if they attain a roadmap for implementing e-commerce.

SMEs struggle the most before implementing e-commerce when they have to identify their goals and develop their ideas. The European Union-funded **eTrainer** project was formed by the Centre for Research in Information Management at UMIST and ran between 1998 and 2001 to tackle that problem: to develop and provide e-Commerce training to SMEs in Manchester, so that they could analyse their needs and come up with a viable e-business proposal. The successful completion of eTrainer left a number of SMEs who had a clear idea of a roadmap for their e-business but didn't know who to turn to for helping them implement their requirements. **Sibilo** was set up to take SMEs beyond this point and help them with their other needs while on the e-Commerce life cycle.

Possibilities and Opportunities

Most of the time that we hear about e-Commerce, we hear brand names like Amazon.Com and easyJet, which despite starting very small, i.e. from nothing but a clever idea, were lucky enough to raise enough capital to grow their businesses. SMEs might not be as lucky to raise millions in venture capital to sell books or borrow a few million pounds to buy a Boeing 737 aircraft in order to start Europe's leading low-cost airline. They can, however, improve their businesses significantly at a lesser cost.

Internet allows SMEs to reach a wider audience and to prove that they are the ones to trust and do business with.

As the Internet grows faster than any other medium has ever grown, people get hungrier for better-quality information. There is a good chance that at this point in time people are searching for information regarding every type of business all over the world. That is why **providing domain-specific information over the Internet**, whether be it on plumbing or holiday destinations, is important for SMEs: it allows them to reach a wider audience and prove that with their know-how in the field, they are the ones to trust and hence to do business with.

Rapid return on investments comes through B2C e-commerce, which greatly enhances the business by bringing many significant advantages.

In the scenario above, although benefits to customers are obvious, it is hard for businesses to appreciate the payback of putting together the mentioned information since often a “business benefit” is expected to be in the form of immediate financial gain. Rapid return on investment is more likely to be achieved by Business-To-Consumer (B2C) e-Commerce. B2C is all about **selling over an electronic medium such as the World Wide Web** and can greatly enhance the business by offering a number of significant advantages: A new on-line channel to increase visibility; global coverage with low investment by SMEs; Reduced service costs; Increased revenue; Reduced time to complete a business transaction; Reduced administrative costs; Improved return on capital and Possibility of expanding across Europe relatively painlessly.

B2B e-commerce, through automating the supply chain, is another important way to enhance the business.

Selling products and services on-line is surely cost effective for those whose products and services are suitable to be sold over the Internet in the first place but it is not the only option. The next best thing for SMEs is **automating their supply chain**: They can, for example, accept orders from resellers on-line and put up orders to suppliers. This is called Business-To-Business (B2B) e-Commerce. Improving communication with any other party within the supply chain would speed up transactions notably, resulting in reduced costs and better customer response times. Technologies for automation can be as simple as replacing phone and fax with email and as complex as maintaining vast database applications running on virtual private networks.

E-commerce also provides several gateways for Customer Relationship Management.

SMEs can also practice **Customer Relationship Management (CRM)** in order to retain customers and scientifically identify areas for growth and even products to discontinue. Offering a new product that complements another product the customer had purchased is probably the most typical CRM application; though there are many more. SMEs could set up on-line surveys to measure customer satisfaction; Create loyalty schemes and distribute e-Vouchers; Do market research; Identify the least popular products at certain times of the year and offer purchase incentives for those products. This list could grow with your imagination.

Starting Point for SMEs

All business is about one thing, to discover an unfilled need and filling it. This does not mean, however, that all good ideas work. A **strategy** should be formed for each business's circumstances. However, a good idea is just the beginning; in fact, it's the easy part. The trick is being able to successfully implement that idea and effectively manage its execution. That is much more difficult.

Even when an SME has a clear idea of what they would like to achieve via e-Commerce, it is hard for them to be **convinced** that the Internet can deliver what they expect. It is true that the e-Commerce hype is over but it has left the legacy of customers willing to pay online. According to Forrester Research, 40 million households will be shopping on-line in 2003 - a year in which consumers will spend more than \$108 billion on the Web. ActivMedia points out that 25% of online transactions total \$100-\$499. International Data Corporation predicts that the amount of commerce conducted over the World Wide Web will reach US\$1-trillion by 2003. These figures suggest that e-commerce is still vibrant. Another reflection of the hype is that compared to 3-4 years ago customers are more educated. Consumer Electronics Manufacturers Association stresses that almost 60% of online consumers think that the Internet has made them more educated shoppers.

After being convinced that their e-business strategy will work, SMEs need a starting point to take things further. This is key to e-commerce success. We hear many **failure stories** in the media for small e-businesses, creating an illusion that it only works for larger organizations. This is undoubtedly incorrect and misleading. One point people overlook is that e-business is old-fashioned business that exploits an electronic medium to exchange information in order to deliver goods and services. It still has the same dynamics and requirements, such as successful marketing and efficient operations. Most failures are due to this fact being neglected. Managers and directors are disappointed when a web site developed by their 15-year-old nephew is not profitable and blame the web while the problem might be inadequate promotion of that web site to its target audience or the design of the web site not reflecting the corporate identity that is being tried to put across.

An e-commerce solution should dovetail with the business and this requires more than just developing a web site, hence the word "solution". SMEs need to have objective consultations in order to translate their ideas into technological jargon and allow them to see what can be done for their business. The **starting point** for every e-business should therefore be identifying an e-business model and a roadmap for developing an IT solution to match the business model.

Writing a **business plan** for an e-business idea would be advisable because it forces one to think objectively about the business idea and research the market to see what would be required for the idea to get a prominent share of the market. We often find that SMEs disregard a business plan's importance and do not wish to spend time writing one. Another organization that knows the right questions to ask in order to come up with an e-business proposal could do this on SMEs behalf.

E-commerce is still vibrant: a very significant proportion of consumers is now more educated and willing to shop on-line.

It is an illusion to think that e-commerce only works for large organizations.

E-commerce is still the old-fashioned business that makes use of a new electronic medium to exchange information and conduct transactions.

The starting point for an SME should be identifying an e-business model and formulating a business plan.

Achieving Sustainable Success

Once a business plan is formulated, it is then all about executing it. This requires three things: i) Understanding the cultural changes to be made in order to adopt e-commerce, ii) Implementing an IT solution, and iii) Evolving the e-business and revising the business plan as and when needed.

Execution of a business plan involves three stages: cultural changes, implementation, and business evolution.

Cultural changes are about understanding how e-Commerce works and making the necessary changes to the business to make it work. For example, if an SME has an e-Shop that sells products on-line but do not use email, their e-venture would almost certainly not succeed. Necessary cultural changes specific to an SME can easily be identified through training.

SMEs are very good at a specialized area they are involved in but they understandably lack the technical skills to **implement** an IT solution for their e-business. There are a number of things to be considered while implementing a technical solution such as technologies to be used, scalability etc., which are out of this paper's scope and should preferably dealt by the experts in that field.

Evolving a solution is probably the most obvious but most neglected step in this life cycle. Many companies have already an Internet presence for some years but instead of nourishing and building on their web sites, they left it forgotten on the Web. We often come across outdated websites with incorrect information or sites that don't reflect the business any more such as a poorly designed site for a printing company that has grown and can now produce the highest quality prints with the most advanced machinery, or even websites with typing errors offering English courses, or PR services. Having a news section on the web site that has not been updated for two years could harm the reputation of a company and not reflect their professionalism.

Successful execution of this process is costly and lies as an obstacle in front of SMEs.

It is not easy for an SME to justify an investment to get a dedicated person to deal with the second and third steps above so they are often left to IT companies that tend to charge for every development work or modification to a web site. This is yet another obstacle in front of SMEs.

Joint e-Venture

The problems explained so far became obvious to us while working on the eTrainer project and so when we were setting up Sibilo, we created a service, namely Joint e-Venture, to help with the e-business requirements outlined above. Joint e-Venture is not the only road to e-commerce success but it unquestionably is one of a few as it is proven by the successful projects launched.

Joint e-Venture is unquestionably one of the very few roads to successful e-commerce projects.

The Joint e-Venture service is a unique proposition from Sibilo to SMEs who have ideas for an on-line business venture and need a partner with e-Commerce expertise to help them along the way. Besides providing help in formulating the business idea and developing the business proposal, Sibilo implements the e-business, launches it and operates it on their behalf. Sibilo becomes a full partner in the e-venture and works together with the SME to make it a success.

Sibilo offers a solution to SMEs, with its Joint e-Venture service, by implementing, launching and operating the e-business.

Sibilo guarantees the full backup for all the IT needs of the e-venture and thus, the entrepreneur can concentrate on managing the business.

This unique end-to-end service usually starts with a free introductory series of workshops for interested SMEs. During these workshops Sibilo team members explain the core components of an e-venture in layman's terms and through examples taken from previous cases that match the participant's interests.

After the business plan is formulated, Sibilo and the SME decide together on how to proceed and what form the joint e-Venture will take.

Interested SMEs are subsequently involved in one-to-one workshops with Sibilo consultants to formulate the business idea and develop the business proposal. After the business proposal is formulated, Sibilo together with the SME decide on how best to proceed and the form joint e-venture will take. There are a number of different scenarios based on previous e-ventures launched but each specific e-venture is treated individually and on its merits.

The Joint E-Venture offers many and significant advantages to both Sibilo and the SME involved. These include:

- Low cost deployment – SME only pays a little!
- Reduced risk deployment – Sibilo shares the SME's risk.
- Faster deployment – Sibilo knows this business and are very fast at it.
- Long-term partnership - if it is successful, Sibilo is successful as well.
- Guaranteed commitment of partners – Sibilo will do its best to make it a success.
- Solution that is scalable and flexible to adapt to growing needs

Case Study: Midasclothing.com

Midasclothing.com is a Joint e-Venture set-up between Sibilo and Midasclothing.com. The aim is to provide fashion wear for men through the Internet.

Midasclothing.com has been established as a joint e-Venture and is now recognized as a brand leader in its market and has managed to sell its unique designs all over the world.

Midasclothing.com develops unique designs of dresses and skirts for men. This involves working with garment designers and manufacturers and also promotion of the designs in specialist exhibitions and shows.

Sibilo undertook all the necessary design and implementation work to launch the e-venture and provide support during its operation. In return, Sibilo receives a percentage of the revenue generated through the operation of the e-venture.

Midasclothing.com started its operations at the end of March 2002 and is already a recognized brand leader in its market and has managed to sell its unique designs all over the world.