



Making E-Commerce Work for You

E-commerce has joined the ranks of e-mail and e-business as one of the major buzzwords you hear Internet-savvy business owners saying these days. The reality is that most businesses today conduct some form of e-commerce even if they're not up on all the jargon. E-commerce has become almost a necessity in today's business climate and it is here to stay.

What is e-commerce? In a nutshell, e-commerce is conducting business with your clients and vendors electronically. Although most people automatically think of the Internet when they think of e-commerce, it can also include transactions by fax, e-mail or EDI over a value-added network (VAN).

The uses for e-commerce are nearly limitless, but some of the most common are:

- Providing product and service information, including catalogs, specifications and drawings, to current and prospective customers.
- Allowing customers to check product availability, request price quotes, and check order or account status online themselves.
- Selling products directly using electronic funds transfer or credit card transactions.
- Offering links to industry portals. In the fastener industry, these would include, for example, e-fastener.com, Fasteners.com, FastenerNet.com, Fastener Sources.com and SupplierMarket.com
- Automating mobile workers by facilitating electronic order taking, customer management and delivery with signature capture.
- Streamlining communications through electronic transmission of order acknowledgements, quotes, shipping confirmation, invoices, pricing updates and production schedules, etc.

The E-Commerce Boom

Two technology industry experts, Forrester Research and the Gartner Group, estimated the dollar value of business-to-business e-commerce in 1999 at \$43 billion to \$145 billion. By 2003, the same experts predict, business-to-business e-commerce transactions will reach the \$1.3 trillion to \$4 trillion mark.

The growth of e-commerce is not surprising given the phenomenal growth of the Internet. McKinsey and Company, another technology industry analyst, estimates that 29% of the people in the United States use the Internet in 2000. By 2002, that percentage is projected to be 43%. To put it in perspective, it took 34 years for radio to gain 50 million listeners. It took television 13 years to gain 50 million viewers. It took the Internet only four years to gain 50 million users. As Fortune magazine put it, "The Internet is not a rising tide-it is a tidal wave."

E-commerce is heading in the direction of direct links between distributors and suppliers and closer trading partner relationships.



Making E-Commerce Work for You

The scramble to get on the e-commerce bandwagon is producing mixed results for industry and business. On one hand, there are the great promise and business expansion opportunities it affords. On the other, there is the confusion and unrealistic expectations that sometimes result. The fact is, though, the Internet and e-commerce have made inevitable changes to existing business models and few companies can afford to miss out on the opportunities.

The Benefits, Risks and Costs of E-Commerce

The benefits that e-commerce affords are many, including increased sales potential due to increased visibility and sales capacity, decreased supply-chain costs, greater support capacity, and real-time field support. There are also intangible benefits, such as customers' perceptions of companies with a variety of e-commerce offerings as technologically knowledgeable and more "cutting edge" than those who don't engage in e-commerce, don't have a web site or use e-mail. Furthermore, web-based order entry is only the beginning. E-commerce is heading in the direction of direct links between distributors and suppliers and closer trading partner relationships.

The risks of e-commerce are a consideration. They include security issues, distraction from core business activities, unexpected costs and the sharing of information with competitors as well as clients. Unfortunately, some high-profile cases involving theft of credit card and personal information and the infiltration of high-profile sites by hackers have given some people a negative image of e-commerce. Careful planning of security, including adequate firewall and data encryption provisions, can help you avoid the hacker pitfalls into which others have fallen.

The costs of e-commerce vary greatly depending on the business' needs, applications and the in-house resources. The initial costs include web site creation, which cost nothing (if done in-house, although there is a fee for domain-name registration), to more than \$25,000. An e-commerce enabled site can cost \$50,000 to more than \$100,000. Because of security concerns, e-commerce sites require a firewall (which protects internal networks and data from outside intruders), which costs \$1,000+. There are also the costs of computer and network equipment, which vary according to the scope of your operation and staff training.

After your e-commerce site is set up, there are also ongoing costs. Web site maintenance can range from nothing for do-it-yourselfers to more than \$3,000 a month and Internet service providers (ISPs) usually from \$100 to \$2,000 a month, depending on speed, type of connection and the storage capacity you require (if they are hosting your web site as well). Some ISPs include free or low-cost web hosting. Others, however, may charge \$1,000+ monthly to host a web site.

There are two connection methods: on-demand (such as modems and ISDN) and permanent (such as DSL or frame relay). Speeds can range from dial-up modem access at 28.8K or 56K to T1 or T3 connections.



Making E-Commerce Work for You

Jumping Into the E-Commerce Fray

If you decide you're ready to take the plunge, remember that you don't have to do everything at once or by yourself. Don't start from scratch. Model your web site after a successful existing one. Get a partner if necessary. When selecting partners, get references, evaluate their technical competence and knowledge, take a close look at their web sites and determine what resources and capacities they have.

Finally, always have a contingency plan and stay abreast of the technology. E-commerce is constantly changing and evolving, but ultimately, deciding to invest in e-commerce is no different than making any other business investment decision. It's worth the effort. The opportunity to reduce operating costs, eliminate errors and shorten lead times is significant.

Contact: Bill Muehlbauer
Office (920) 922-7499
Cell (858) 204-4127