

FACTFILE: GCE BUSINESS STUDIES

AS2 E-COMMERCE / E-BUSINESS

E-commerce / E-business

Learning outcomes

Students should be able to:

- demonstrate and apply knowledge and understanding of how a business might use e-business and digital marketing (advertising, market research, sales channels) in a range of business scenarios;
- analyse and evaluate the increasing use of the internet, social media and mobile technologies to enhance marketing/selling activities (mobile ticketing or mobile marketing);
- evaluate the usefulness of e-business to the business (access to worldwide market, lower transactions costs, bypass intermediaries) and to the consumer (wider choice, saving money, 24/7 shopping in a range of business scenarios).

Nature of E-business



E-business (Electronic-business) is the term used to describe doing business over the internet. The internet has created a business environment in which time and distance are less important, people have access to more information to help them make decisions and consumers have better access to a broader range of products and services. The most important feature of e-business is that it helps businesses move on to the international scene at minimal cost but with maximum efficiency.

E-Commerce specifically refers to ordering, buying, selling and paying for products and services using the internet.

Advantages to the business

- Setup costs are low;
- Lower running costs in the form of reduced overheads helps to keep the business more competitive;
- Customer base has potential to be huge;
- Easy and fast way to communicate;
- Accessible 24/7.

Advantages to consumer

- lower prices - lower running costs in the form of reduced overheads can be passed onto consumers;
- Increased choice with a wide range of product;
- Easy access to product information and able to make comparisons;
- Conveniences of shopping online;
- Accessible 24/7.



Digital marketing

Digital marketing uses technologies such as websites, mobile devices and social networking to help reach customers, create brand awareness and sell goods or services. These technologies can be used cheaply and effectively, whatever the size of the business.

It differs from traditional methods of marketing in that you can easily monitor marketing campaigns and evaluate what is working and what isn't.

Examples of E-marketing or digital marketing:

Banner advertising - users click on the banner and are linked to the website that is paying for the advert.

Email campaigns - sending targeted emails to selected customers or potential new customers, sometimes containing special offers, discounts and other promotions.

Viral marketing - online 'word-of-mouth' or 'tell a friend' campaigns that encourage users to spread the message to their social networks.

The benefits of digital marketing:

- can reach the right customers at a much lower cost than traditional marketing methods.
- allows a business to find new markets and trade globally for a small investment.
- results are trackable - web analytics and other online tools make it easier to establish how effective a campaign has been. You can obtain detailed information about how customers use your website or respond to your advertising.
- openness - you can build customer loyalty and create a reputation for being easy to communicate with.
- e-marketing lets you create engaging campaigns that can be passed from user to user and become viral.
- improved conversion rates - customers are only ever a few clicks away from making a purchase, unlike other media, which requires customers to get up and make a phone call, or go to a shop.



Mobile technology

Mobile technology has evolved rapidly over recent years and allows a business to conduct business almost anywhere. Wi-Fi and 3G or 4G allow mobile devices such as smart phones, ipads, laptops, GPS devices and wireless payment terminals to access the internet remotely.

Advantages of mobile technologies

- it allows greater flexibility in working by being able to access the office network when away from the office, e.g. enabling home working or working while travelling.

- customers can pay for goods and services without having to go to the till, e.g. in a restaurant.
- the growth of cloud computing has also impacted positively on the use of mobile devices, supporting more flexible working practices by providing services over the internet.

Disadvantages of mobile technologies

- security issues - mobile devices can get lost or if proper precautions are not taken, can expose valuable data to unauthorised people.
- cost of equipment and training required to use mobile devices.



Growth in business use of social media

Social media allows businesses to engage with customers rather than just having a one-way form of communication. It allows for two way communication, with instant feedback and so gives businesses free market research from hearing what customers want.



A business will use the social media platform, which best suits its customers. Some of these may include:

- Facebook
- Twitter
- LinkedIn
- YouTube

Having a presence on a social networking channel can give a business a lot of exposure with relatively little time and effort. It allows a business to build a community of engaged customers who will spread news and information and make recommendations about the business.

Blogs

Some businesses use a Blog, this involves posting regular stories, pieces of commentary or other content to a website, and allowing visitors to leave comments and message each other.

Advantages of effective social media use:

- Compelling and relevant content will grab the attention of potential customers and increase brand visibility.
- A business can respond almost instantly to industry developments and become heard in their field.
- It can be much cheaper than traditional advertising and promotional activities.
- Social content can indirectly boost links to website content by appearing in search results, improving search traffic and online sales.
- It can deliver improved customer service and respond effectively to feedback.
- Customers can find a business through new channels, generating more leads.

Disadvantages:

- Although relatively inexpensive to set up, a business will need to commit resources to managing social media - responding to feedback and continually producing new content.
- Ineffective use - for example, using the social media to push for sales only, without engaging with customers.
- Failing to respond to negative feedback may damage the reputation of the business.
- User resistance – not all customers are comfortable using social media e.g. elderly customers unfamiliar with new technologies.

? Revision Questions

1 Explain what is meant by the term e-business.

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2 Analyse two reasons why a business would use mobile technologies.

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3 Analyse two benefits to a business of using digital marketing.

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4 Using a business with which you are familiar, evaluate the usefulness of e-business.

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