

The background of the cover is a dark blue gradient. It features a stylized globe in the upper left quadrant, showing the Americas. Overlaid on the globe and the rest of the cover is a grid of small squares. Several large, semi-transparent arrows in shades of orange and red point in various directions (right, left, up, down). A prominent wireframe sphere is located in the center-right area. The overall aesthetic is high-tech and global.

COLIN COMBE

# INTRODUCTION TO E-BUSINESS

MANAGEMENT AND STRATEGY

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# Introduction to E-business Management and strategy

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**Colin Combe**



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# Introduction to E-business

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# Preface

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The twentieth century will be remembered for the rapid changes in technology every bit as much as the social and political upheavals that changed the lives of so many people. In fact, such has been the speed of development of new products, devices and gadgets that it is often easy to become ambivalent about technological advance. However, some inventions are of such life-changing significance that they make everyone sit up and take notice. Few technologies can be considered revolutionary in the impact they have had on society. Certainly, the telephone, television, air travel and some medical advances can be considered revolutionary in this context.

To this list can be added the internet as a means of communication. Although there are some sections of society for whom the internet remains an alien device, the majority of people in countries with internet access have made use of this technology for a myriad of reasons, including education, entertainment, information, business and communication. The internet has been a catalyst for change in the way people communicate and has drawn the attention of diverse bodies including government, police and security agencies, the legal profession, public sector organisations, educational establishments and many, many more.

The business community has been fundamentally changed by the advent of the internet as a means of communication and trading. The development of the World Wide Web in the mid 1990s opened up the commercial viability of the internet as, for the first time, ordinary citizens were able to access the resources that it held. Soon, the number of websites increased from tens of thousands to millions. The internet has become an integral part of many organisations' means of undertaking business. It can be used as an additional channel through which businesses communicate with and trade with



customers (business-to-consumer, B2C) and suppliers and partners (business-to-business, B2B).

The internet and related technologies, such as intranets and extranets, also help organisations to increase efficiency in their internal processes. From a business perspective, the internet has had a profound effect on the way firms operate, how they communicate with others, what products they produce, how they deliver products and services, and how they seek competitive advantage. The internet has changed the 'rules' of trading by presenting new challenges and opportunities and altering the way firms engage and build relationships with customers.

This book is designed to highlight the key issues that affect businesses who have adopted the internet as a means of trading or improving internal processes. Electronic business (e-business) is the use of the internet for these purposes. Consequently, e-business has implications for a range of issues affecting an organisation, including the adoption of technology, choice of business models, economics, marketing, legal and security issues, management and the strategies for gaining a competitive advantage. This book highlights and explains the nature and characteristics of e-business in the context of each of these key issues. Examples of e-business applications are a feature of the book and these help the process of comprehending how the internet has been used to different effects in different business settings.

Following on from the discussions of the key issues, the book then focuses on the management of e-business and the formulation, implementation and evaluation of e-business strategies. These chapters bring together elements of the key issues to articulate how organisations manage their resources and create strategies for gaining competitive advantage through undertaking e-business. Gaining and sustaining competitive advantage is a theme that runs throughout the book, but its importance to the viability of internet-based firms (or firms that use the internet for some aspects of their business) is such that it is afforded its own chapter. The book chapters close with analysis of the stages of evolution that e-business has traversed since the commercialisation of the internet in the mid 1990s as well as some informed speculation as to the future prospects of e-business. The book also contains five case studies of well-known organisations that have successfully (or not in the case of boo.com) harnessed the attributes of the internet to create such compelling value propositions that they have been able to build global businesses through their online activities.

The structure and content of this book has been compiled to help undergraduate and postgraduate students new to the subject of e-business understand the key issues from both theoretical and practical perspectives. The book is also a valuable source of guidance and information for practitioners seeking an insight into the key issues affecting an e-business venture. There are many books covering different aspects of the internet, some focus on the technology, others on marketing or economics. There has, in recent years, been a proliferation of books on the security and legal aspects of the internet. Many business and management books incorporate elements of online trading into the narrative or as featured case studies.

This book uses rigorous academic theories and practical examples to bring together the business, management and strategic issues relating to e-business in a coherent and lucid manner to help the process of learning for students and practitioners seeking an introduction to e-business. In particular, the book offers readers an insight into how organisations can build an effective e-business venture using a mix of resources and capabilities. There are practical issues relating to security, law, economics and human resources that provide the basis for creating an effective e-business. This is complemented by an outline of the main business models that can be adopted as a means of competing in the e-business environment. The chapters on formulating and implementing a strategy for e-business provide a guide to the stages involved in developing a coherent strategy that is geared towards leveraging a competitive advantage by engaging in e-business activities.

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# Introduction

## Key issues:

- Defining e-business;
- The development of the new economy;
- Types of e-business and related industries;
- The growth of e-business;
- Use of the internet;
- Key people;
- Scope of the book;
- Structure of the book.

## Defining e-business

Electronic business (e-business) can be defined as the use of the internet to network and empower business processes, electronic commerce, organizational communication and collaboration within a company and with its customers, suppliers, and other stakeholders. E-businesses utilise the internet, intranets, extranets and other networks to support their commercial processes. Electronic commerce (e-commerce) is the buying and selling, marketing and servicing of products and services via computer networks. Since e-business includes the process of transacting with suppliers and customers there is an overlap in activities with e-commerce.

Although the terms 'e-business' and 'e-commerce' are often used synonymously, the distinction between them lies in the broader range of processes in e-business that incorporates internal transactions within an organisation. These include transactions relating to procurement, logistics, supply chain management, payments, stock control and order tracking. As Chaffey (2004) notes, e-commerce can best be conceived as a subset of e-business. Where the two concepts overlap is in the buying and selling of products and services.



**Figure 1.1**  
The relationship  
between e-business  
and e-commerce

Buy-side e-commerce refers to electronic transactions between a purchasing organisation and its suppliers and sell-side e-commerce refers to electronic transactions between a supplier organisation and its customers. Figure 1.1 illustrates the relationship between e-business and e-commerce.

## The development of the new economy

Throughout the book references will be made to 'the internet economy', 'the information economy' or 'the digital economy'. These terms are used to define the distinct contributions to the economy through use of the internet, digital technology, or information and communications technology (ICT). Together these types of technologies have created the so-called 'new economy', one that is based on entrepreneurship in knowledge creation and sharing, innovation and creativity, and utilising information technology for developing and selling new products and services. The new economy defined the industrial landscape of the late twentieth century and will be the dominant driver of economies well into the new millennium.

The new economy has been boosted by the development of the infrastructure that supports the internet, ICT and digital technology. The rollout of high-speed broadband internet access means more people can connect to the internet at higher speed and with greater flexibility and scope of activities. Digital exchanges and fibre-optic networks mean that the convergence of technologies further boosts the new economy. Where once the internet, television broadcasting and telecommunications were separate and distinct industries, convergence means that these sectors have increasingly merged,