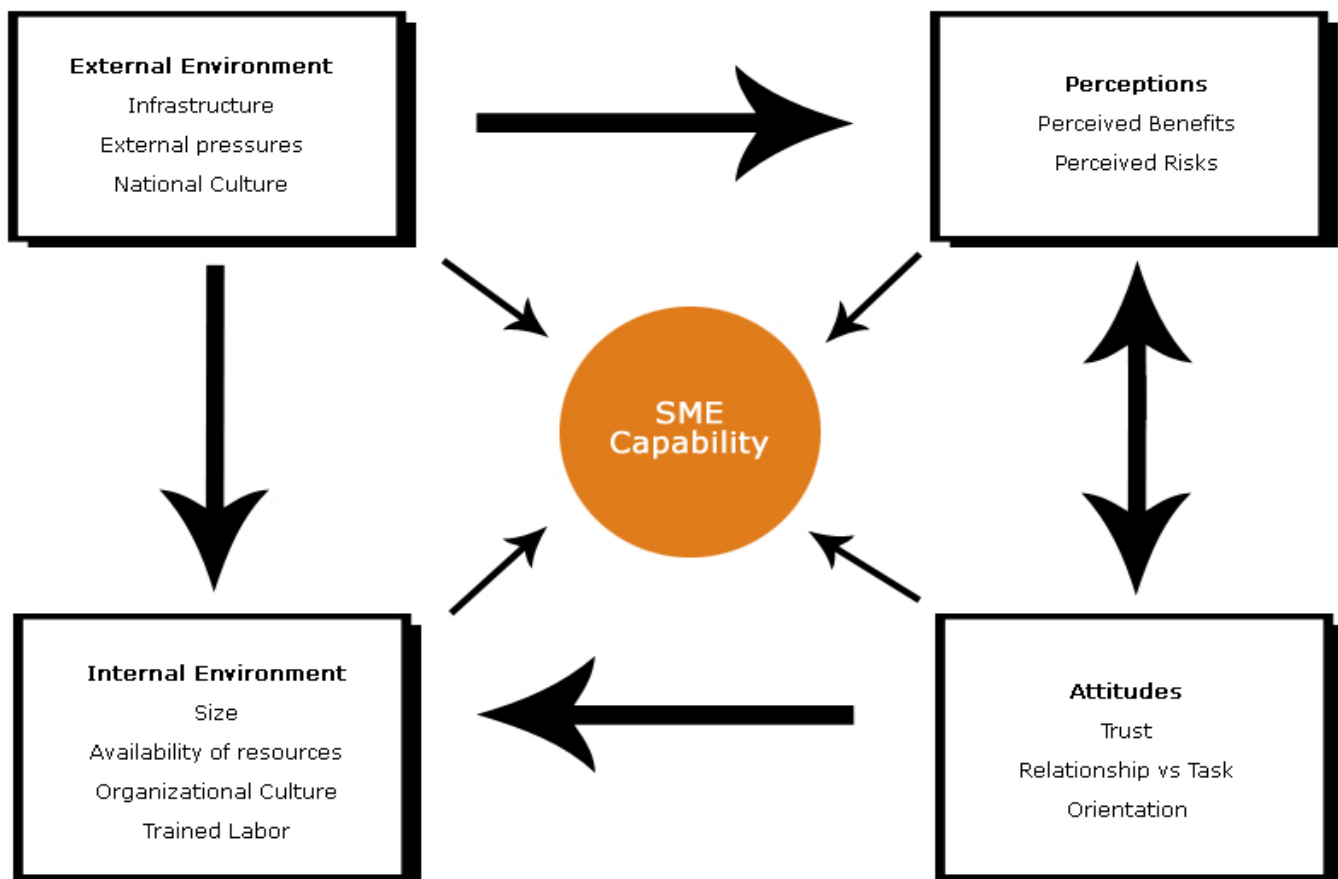


E-COMMERCE for SME

Firms in growth phase want to expand their customer base, enter new product markets and rationalize their business. The advent of internet based electronic commerce has given them ample opportunities to do so. Although many SME's have embraced ICT and taken up e-commerce, the adoption rate has been rather slow. Many industry analysts attribute this slow adoption rate to the lack of awareness of e-commerce applications. This paper also explores other reasons such as:

- 1) Lack of capital and skilled personnel
- 2) The significant and often under-stated cost of such e-commerce applications and solutions
- 3) The core structure of SME's.

Capability Analysis: SME implementing E-Commerce:



The organizational aspect, covering:

- New business models
- Business strategies
- Enterprise engineering
- Enterprise integration
- Development of e-procurement
- Development of e-marketing
- Development of e-commerce
- Critical success factors
- Performance indicators
- Subcontracting, partnerships, networks, and virtual organizations
- Extent of e-business use and level of preparedness of SME's

The technological dimension, addressing:

- Emerging solutions
- Ontologies and taxonomies
- Information and application integration
- Evaluation and selection
- Payments
- Privacy and security

Legal aspects, covering:

- Contractualization
- Jurisdiction
- Protection against leakage of knowledge
- Regulatory aspects

E-Commerce Impact on various distribution costs:

	Airline Ticket	Banking	Bill Payment	Insurance Policy	Software Distribution
Traditional Systems*	8.0	1.08	2.22-3.32	400-700	15.00
Telephone-Based*		0.54			
Internet-Based*	1.0	0.13	0.65-1.10	200-350	0.20-0.50
Savings (%)	87	89	67-71	50	97-99
* US\$ per transaction					

We see, that internet based systems have resulted in heavy reduction of costs when compared to the traditional systems. This phenomenon has been illustrated for many sectors viz: aviation, banking, bill payment, insurance policy & software distribution.

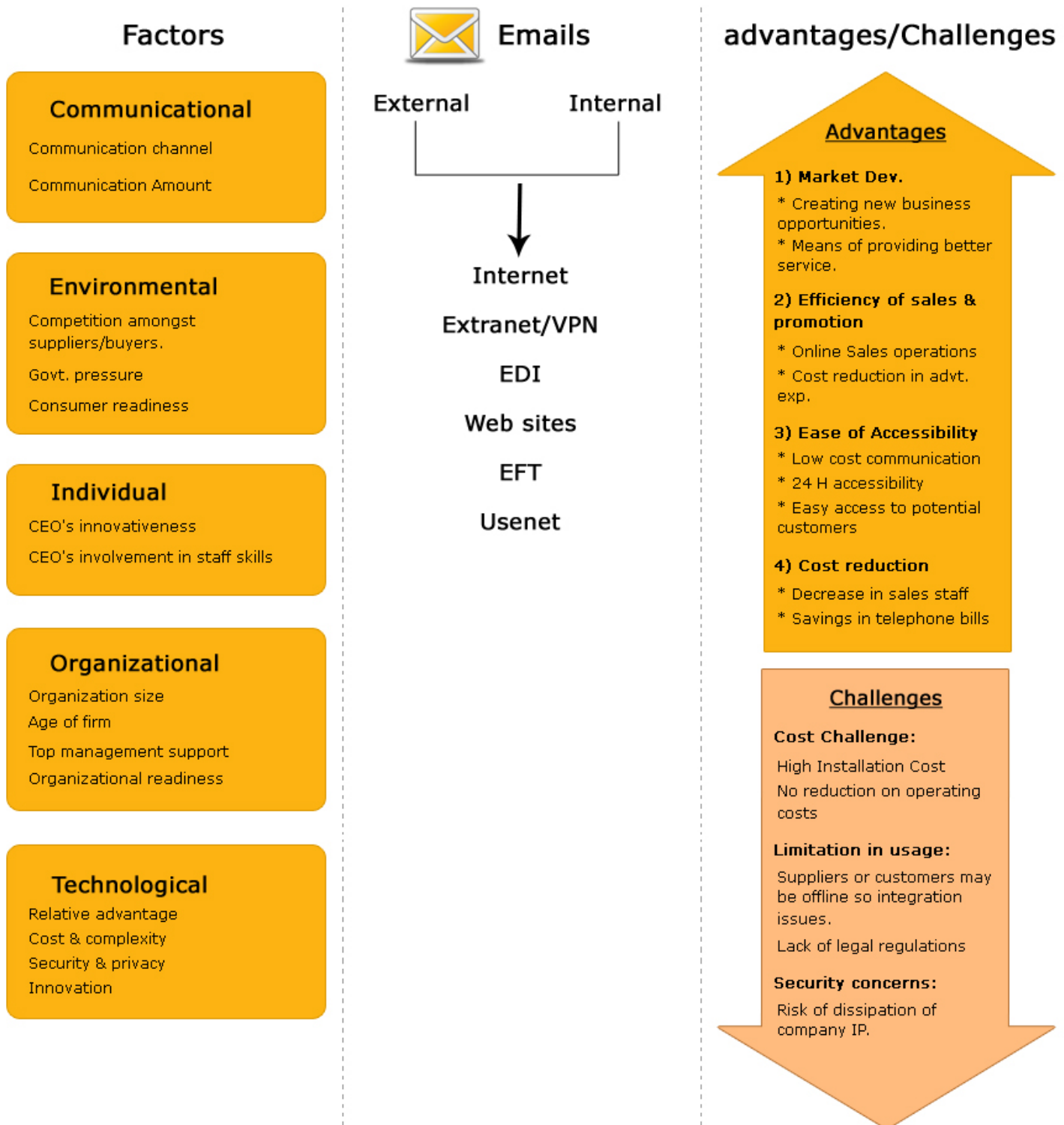
The continued exponential growth of the Internet, coupled with its growing ubiquity, especially globally, has provided firms with a means to finally realize the promised economic benefits of electronic commerce.

Many of these business efficiencies arise from better internal coordination and improvement in supply chain management. It has been estimated that with today's diversified production processes, some 100 companies may be required to produce a single finished product, and as a result, for every US\$100 paid out in the manufacturing process, some \$50 on average is wasted.

Also, through the use of IP-based applications options, such as on-line auctions in the procurement process, corporations have been able to achieve gross savings of between 5–40%, with 15% being typical for most corporations. This presents an enticing proposition for companies facing competitive downward pressures on prices and gross margins.

Preliminary research indicates that the adoption of IP-based applications in this sector is extremely slow and results are to date unclear. Most SME's seemed to have failed to successfully leverage the promise of electronic and internet commerce.

Critical factors, challenges & advantages contributing to the adoption of E-commerce:



E-Commerce indicators relevant to an analysis of situation of SME's:

<i>Indicator</i>	<i>Description</i>
E-commerce readiness	<ul style="list-style-type: none"> ◆ Number and percentage share of economic units with Internet access, Web sites ◆ Perceived benefits of and barriers to e-commerce ◆ ICT skills
E-commerce Intensity	<ul style="list-style-type: none"> ◆ Internet transactions: type of transaction ◆ Use of Web sites ◆ Proportion of firms providing electronic information services ◆ Proportion of firms providing electronic marketing or advertising services ◆ Percentage share of electronic transactions over all transactions

Conclusion:

Adoption of information and communication technologies (ICT) is only part of the story. Of greater importance is the use made of them. Although SME's increasingly use the Internet for a variety of commercial and production-related purposes, on average they have a limited understanding of the full range of benefits of electronic commerce. This lack of awareness of the great potential of e-commerce is one important barrier to its adoption, together with inadequate investment in skills, and the relatively high initial investment costs involved in developing electronic commerce strategies. The advent of Internet-based electronic commerce offers considerable opportunities for firms to expand their customer base, enter new product markets and rationalize their business. Although problems of definition and measurement of electronic commerce make it difficult to gauge the phenomenon, available data indicate impressive growth in the rate of adoption of the Internet by small and medium-sized enterprises (SME's) in a number of countries. SME's appear to be gradually bridging the gap in uptake in comparison with larger firms.

About vEmployee:

vEmployee is a leading IT Service provider based out of India. With services spanning over the technology value chain, vEmployee is a one stop shop for enterprise wide IT needs. With over a decade long experience in the industry, vEmployee has established itself as a trusted partner to various companies by providing timely project delivery coupled with high quality. Our parent organization Clarion Technologies is a SEI CMMi 3 level assessed company whose singular focus is on 'client satisfaction'.

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