



## **Chapter VI**

# **Benefits of E-Commerce Adoption: What Can SMEs Expect to Gain from E-Commerce Adoption?**

The previous two chapters were concerned with the drivers or criteria leading to e-commerce adoption, and the barriers or obstacles faced by SMEs in e-commerce adoption. Both the criteria and barriers reflect pre-e-commerce adoption issues. The criteria are related to positive expectations to be realised post e-commerce adoption, while the barriers are related to negative perceptions and other constraints, which hinder e-commerce adoption. This chapter is concerned with the benefits or advantages experienced by SMEs, *following* e-commerce adoption. Unfortunately, this chapter does not contain data from the U.S., as there were insufficient responses to the e-commerce benefit question in the U.S. sample group. As with previous chapters, we will begin by providing an overview of the relevant background literature, which has examined the benefits of e-commerce.

## Background

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Most e-commerce benefits fall into the “intangible” category and are often not realised by SMEs at the time of adoption (MacGregor, 2004). Instead, these benefits are reaped post e-commerce implementation and do not necessarily match the initial drivers that actually lead to e-commerce adoption (the relationship between expected e-commerce criteria and actual e-commerce benefits will be explored in a subsequent chapter). The latest Sensis® e-Business report (2006) found that approximately 57% of SMEs were able to recover their investment in e-commerce technology, but 16% were not expecting to recover it at all. Of those that had recovered their investment, most reported their return had been less than 5%. This may suggest that the benefits of e-commerce adoption in the Australian context are trivial compared to the amount of time, effort, and funding required to implement e-commerce. However, this refers to the measurable benefits only. The main incentives for using e-commerce lie in the intangible advantages.

A number of studies have examined both the tangible and intangible e-commerce benefits achieved by SMEs. Studies by Abell and Lim (1996), Poon and Swatman (1997), and Quayle (2002) found that the tangible benefits (such as reduced administration costs, reduced production costs, reduced lead time, and increased sales) derived from e-commerce were marginal in terms of direct earnings in the short term, contrary to the expectations of SME owners/managers, and that at best these may be more fruitful in the longer term. This is supported in a recent article by Vrazalic, Bunker, MacGregor, Carlsson, and Magnusson (2002), as well as the Sensis® e-Business report (2006).

The same studies found that the intangible benefits (such as improvements in the quality of information, improved internal control of the business, and improved relations with business partners) were of far greater value to SMEs. The benefits from the customer relationship point of view were even more pronounced. While Poon et al. (1997) showed that e-commerce led to an improved relationship with customers, other studies found that SMEs benefited in their ability to reach new customers and new markets through the use of e-commerce (Quayle, 2002; Ritchie & Brindley, 2001; Sparkes & Thomas, 2001; Vescovi, 2000).

Another tangible benefit of e-commerce was related to the functions performed by the SME. Woerndl, Powell, and Vidgen (2005) found that many SMEs had expanded their activities beyond those performed prior to adoption. Stockdale and Standing's (2004) research also showed improvements in internal efficiencies as one of the benefits. This included changes in production methods and costs, enhanced levels of communications, and reduced transaction costs. Brunn, Jensen, and Skovgaard (2002) highlighted the flexibility in administration and communication that e-commerce brought. Apart from the benefits associated with reaching new customers and sales revenues, e-commerce benefited SMEs internally by lowering costs and improving the quality of communication and information inside the business.

The benefits of e-commerce reported in most studies are in alignment with the very reasons why SMEs are adopting e-commerce in the first place (i.e., e-commerce criteria). One of the questions that arises is whether e-commerce lives up to expectations? In other words, do the e-commerce drivers materialised into the benefits we have previously discussed. We will examine this in a subsequent chapter. For the purposes of this chapter, the benefits of e-commerce adoption identified in previous research studies are summarised in Table 1.

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