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Internet excels in containing, reducing costs



E-BIZ

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With all the hype surrounding the Internet, it has acquired the image of a magical, mystical means by which businesses can instantly make lots of money. The reality is far different — it takes a lot of hard work to discover the Internet's power as a marketing or sales tool.

Still, the Internet is strategically vital to business, and one of its most useful roles is to save money. If you are wondering about going on-line, ask yourself the right question. Don't start with: "How can I use the Internet to make money?" Ask yourself: "How can I use it to save money?"

The Internet is an excellent tool for small businesses to contain and reduce costs.

Consider the potential savings. I have a full-time connection to the Internet via a cable modem that costs about $40 a month, and a World Wide Web site for a fixed monthly fee. I can use these two tools to accomplish many day-to-day activities.

In contrast to the telephone, I can use electronic mail and my Web site without any increased incremental cost over the basic monthly payment (within reasonable limits, of course, imposed by the companies that provide Internet services).

Using E-mail can save substantial sums of money. By sending an E-mail message, I can save the cost of a comparable long distance telephone call, fax or courier charge. If I send someone a document electronically rather than by courier, that's a savings of $12 or more.

Just the fact that E-mail is widely used across the country should encourage a lot of skeptical entrepreneurs to get on-line.

A Web site is also an effective tool to contain costs. Even though you have to spend some money to set it up and maintain it, you will save money every time a a client — or a prospective one — downloads information such as a brochure from your Web site. It saves the courier or mailing charges from sending it by more traditional methods and, over time, reduces printing costs.

But the most significant strategic way to think about potential savings from the Internet is as a tool to streamline your business operations. Determine how you can use it to re-engineer the way you do business in order to save money.

Giant companies are already pursuing such thinking. General Electric Co., for example, has streamlined the procurement process for several divisions by moving to an Internet-based ordering system. It has been estimated to have reduced labour costs by about 30 per cent and material costs by up to 20 per cent. Check out the Web site **tpn.geis.com/tpn/resource_center/casestud.html** to read about GE's experience.

Similar results are possible for small businesses. If you can encourage customers to order electronically instead of through paper-based systems, there are tremendous potential savings.

If customers are willing to accept invoices, documents, project reports or other information in electronic form, cost containment is a reality. The software to permit such activities is now available to small businesses.

Entrepreneurs prefer to save money rather than to spend it. The Internet excels in that regard.

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