

THE IMPACT OF THE DIGITAL ECONOMY ON SMALL BUSINESS

by Student's name

Course name

Professor's name

University name

City, State

Date

## The Impact of the Digital Economy on Small Business

Recently, the popularity and usage of E-commerce practices and online sales continues to increase worldwide, demonstrating approximately a 23.2 % growth in 2017 (Loesche 2018). Such rapid growth is attributed to such factors as mobility and the constant online activity of consumers as more and more people all around the globe prefer completing transactions and making purchases with the help of their smartphones and laptops as opposed to traditional shopping practices. Consequently, since target audiences become more digitally mature, the representatives of the business domain adapt to such needs, being subjected to significant digital transformations as well. Currently, the digital economy is based on three pillars: real-time business that ensures the uninterrupted operation of a particular enterprise, the focus on innovation as the main competitive advantage of a business, and agility that manifests in a flexible and responsive functioning of a small business enterprise. With this being said, the move toward a fully digital economy is the best and the most efficient way for small businesses to establish relationships with their clients under the conditions of a limited budget, using the global network to facilitate all business-related operations. Such a process provides first-time entrepreneurs with a comprehensive range of chances that would be never used in other business environments. Thus, it is crucially important to scrutinize what impact the digital economy exerts on small business in order to comprehend the range of risks and benefits small businesses face while operating in the digital marketplace.

### **The Positive Impact of the Digital Economy on Small Business**

#### *Digital Small Business Enterprises Are Reaching New Markets*

It is evident that due to the functioning of the digital marketplace, small businesses are able to benefit from a wide range of marketing outlets and successfully penetrate local, regional, and international markets, reaching potential clients regardless of their physical location. Due to the usage of the Internet and advanced technologies, a new company that has

neither a solid brand image nor a regular client base is not restrained by geography while targeting its clients (“Digital Opportunities for Today's Small Business” 2016, p. 14). Thus, it can make people from various areas interested in its goods and services, in such a way that it expands its customer base and outperforms its competitors.

#### *The Use of Personalized Marketing*

According to a research study conducted by Deloitte's global network, the representatives of small-to-medium sized businesses define changing customer expectations to be one of their top three business problems (“Digital Opportunities for Today's Small Business” 2016, p. 4). In fact, due to the ability to operate in an economy that is based on the usage of digital technologies, small enterprises retrieve valuable information about their clients' tastes, buying habits, and preferences. As a result, such companies will comprehend how to make their consumers satisfied with the quality and assortment of offered goods and how to aggrandize people's loyalty to a brand.

#### *The Increase in Sales Levels*

E-commerce enables small businesses to function with more agility and process more information in a reduced period of time. Moreover, such a factor as the ability to look at a desired item, read other buyers' comments about its qualities, and have it delivered to the place of destination are factors that create a positive consumer experience and induce people to buy online, directly affecting a business's sales levels (“Digital Opportunities for Today's Small Business” 2016, p. 13).

#### *The Use of Several Payment Services*

Every enterprise that operates in the E-commerce sphere provides its clients with several methods to conduct online payments, making this process more client-oriented and facilitating people to select the most secure way to pay for a purchase, including such

services as e-wallets, cyber-wallets, and mobile payment solutions (“The Digital Economy, New Business Models and Key Features” 2014, p. 77).

#### *The Improvement in Customer Relationship Management*

Those business facilities that operate in the digital economy are capable of using the CRM system. This software application is installed to record, manage, and analyze all business-related information that has been retrieved from its numerous digital channels, facilitating business persons to grasp the quality of a positive customer experience they provide, to process business-related big data, and conduct a highly effective process of business analytics (Fakieh, Blount, & Busch 2014, p. 5). It is important to denote that according to a research study facilitated by Deloitte Access Economics, approximately 95% of all small business enterprises that have installed CRM software report numerous benefits such systems have provided to businesses (“Digital Opportunities for Today's Small Business” 2016, p. 5).

### **The Impact of the Digital Economy on Small Business: Challenges and Constraints**

#### *The Detrimental Impact of Negative Customer Reviews*

At the initial stages of developing a small business, its competitiveness and further success are dependent on its corporate image and reputation. Indeed, big corporations that have been working in the digital marketplace for years can easily deal with such phenomena as adverse comments from clients, while the reputation of small business enterprises is too vulnerable to negative feedback. Thus, even a few bad comments can discourage people to use the services of an unknown company that has a doubtful reputation in the industry.

#### *The High Vulnerability to Cyber Security Attacks*

Every small business facility that functions in the digital economy organizes all of its operational process on the Internet; however, there are high risks that a company's software

systems may be penetrated by cybercriminals and such information breaches will result in the disclosure of client-related data or in money laundering (“The Digital Economy, New Business Models and Key Features” 2014, p 70). As opposed to big business corporations, small businesses cannot afford to purchase expensive security systems and programs; thus, their involvement in the digital marketplace is accompanied by enhanced security-related risks.

### *Tough Market Competition*

Stemming from the increasing popularity of E-commerce, the number of companies that want to reach their clients by the means of advanced technologies constantly grows and such a process aggrandizes market competition. In fact, the creation of successful and highly-influential advertisements has become the prerequisite for business success and profitability, inducing big corporations to invest a lot of money into their marketing campaigns. As opposed to such facilities, small businesses do not dispose of large budgets and are not capable of initiating equal promotional campaigns, being frequently outclassed by competition.

### **Conclusions**

Thus, against the background of the processes of globalization and modernization, the business domain is subjected to continuous changes and transformations, being affected by renovating economic rules and conditions. The 21st century can be generally identified as the Digital Age, stemming from the fact that the participation in the digital marketplace has become the most popular way to start, develop, and expand a business, being especially relevant to small business enterprises. The point is that the involvement in E-commerce enables first-time entrepreneurs to reach their target audiences instantaneously and facilitates every customer to get a desired product or service, saving time and costs. At the same time, under the circumstances of a tough market competition and a constantly changing business

environment, small business enterprises may face numerous challenges while operating within the field of the digital economy.

## References

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