THE WAY FOR MAINTAINING CUSTOMER LOYALTY AND USING OF E-COMMERCE IN DEVELOPING COMPANY SUCH AS SMALL AND MEDIUM ENTERPRISES

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Abstract. The Way for Maintaining Customer Loyality and Using of E-Commece in Developing Company Such as Small And Medium Enterproses. *This paper aims to analyze the way of maintaining customer loyalty of company in developing their business. One of the way is providing of customer loyalty program with the reward point given to their customer. Beside that, this study analyze also the usefulness of e-commerce in developing Small and Medium Enterprises. Definitely ,the use of e-commerce able to drive business of small and Medium Enterprises quickly and promptly. Involving e-commerce in developing small and medium enterprises (SMEs)is very crucial and important. There are some potential benefits derived from the strategic use of e-commerce provide: i) Enhanced customer services, ii) Reduced transaction costs, iii) Increased business efficiencies, iv) Improved operational flexibility, v). Obtaining competitive advantages and vi). Improved product and service delivery. . This study use Descriptive Qualitative Analysis Method based on the observation of the current situation of e-commerce usefulness in developing company such as small and medium enterprises and the way of maintaining customer loyalty in business development This study shows that both low customer awareness about point-based reward programs and, not surprisingly, low redemption rates. More specifically, lack of awareness about the reward points programs and the redemption procedure was shown. The important conditions positively affecting redemption of reward points were found to include awareness of the reward point program, a positive attitude about the incentives, and average frequency of credit card usage. Also, redemption rates were higher for cards that had been issued more recently. This study find also that e-commerce has big part role in developing Small and Medium Enterprises. In this, e-commerce can develop promotion and selling volume of Small and Medium Enterprises by the smart electronic mechanism.*

***Keywords**: Customer Loyalty, Credit cards, Small Business, Electronic Commerce, Business Transformation*

1. BACKGROUND OF STUDY

Maintaining loyalty is very important for companies to drive their business. In order to maintaining their customer, many companies provide the loyalty program. In this loyalty programs usually provide rewards based on cumulative purchases, and are an explicit attempt to enhance customer retention and increase product usage. They also serve to attract new customers with the promise of additional benefits. They encourage repeat buying and thereby improve both retention rates and "share of wallet" from regular customers (Lewis, 2004). Bell and Lal (2002) in their study on the "Impact of frequent shopper programs in grocery retailing" suggest two major reasons for the success of frequent shopper programs: (1) reduced price competition and therefore higher margins and profits due to switching costs faced by customers; and (2) reduced marketing expenses by focusing attention on retaining loyal customers and capturing an increasing share of their wallet. Consumers are motivated to participate in such programs because fundamentally, they like to get something for nothing (Uncles, 1994). Past research has tried to assess the effectiveness of loyalty programs in creating true customer loyalty. Among the findings are that such programs are more suitable for products and services with high margins or ones that a customer will invest in heavily over a long period of time (Wansink, 2003). Rothschild and Gaidis (1981) suggested that consumers have "deal-loyalty" rather than loyalty to core products or vendors; in such cases, once the loyalty program is withdrawn there is a decline in consumer loyalty. Although a few researchers (e.g. Sharp and Sharp, 1997; Dre`ze and Hoch, 1998; Liu, 2007) reached conclusions that doubted the effect of reward point programs.

Beside that, the existing of differentiation between large and small businesses are particularly evident in the examination of small business technology adoption and utilization. Past researchers have revealed at least six major factors influencing the adoption, innovation, management and successful use technology by SMEs. These factors are the role of management, strategic direction, available resources, technical complexity, information technology (IT) knowledge and education, and external issues (Cragg & King, 1993; Thong & Yap, 1995; Fuller 1996). Previous small business and technology research concentrated on the impact of technology on internal computing applications and systems. However the implementation of e-commerce extends beyond the application of technology in internal systems (Poon & Swatman, 1999). In this context, the application of existing IT and small business theory provides only a limited basis for examining the intricacies of SME e-commerce. E-commerce has the capacity to transform not only internal practices but also the methods SMEs use to interact with their trading partners, associates and customers. The ability of large businesses to conduct e-commerce differs substantially from the capability of smaller businesses to implement e-commerce. SMEs are often disadvantaged by their ability to allocate resources and finance to new innovation and this is compounded by a lack of technical skills and knowledge (Cameron & Clarke, 1996; MacGregor *et al.*, 1998; Poon & Swatman, 1996; Corbitt *et al.*, 1997; Lawrence & Keen, 1997; Freel, 2000; Van Beveren & Thomson, 2002). Even where the SMEs are capable of conducting e-commerce, research has highlighted they are often reluctant to so (Lawrence & Chau, 1998). Although SMEs may be disadvantaged in their ability to conduct e-commerce, SMEs have traditionally been highly adaptive, innovative and agile within their competitive business environments (Levy & Powell, 1998). The Internet and e-commerce provides SMEs with an opportunity to attain a level of competitiveness in line with larger trading organizations (Ihlstrom & Nilsson, 1999; Jeffcoate *et al.,* 2002). E-commerce differs from past implementations of IT in SMEs. Rather than being simply a support tool, ecommerce has the potential be used as strategic tool to develop new organizational infra structures, business relationships and value chains. Initial research on SME e-commerce has focused on identifying factors that affect the adoption of e-commerce and the potential benefits derived from e-commerce (Abell & Lim, 1996; Lymer *et al.*, 1997; Poon & Swatman, 1996; 1999). Direct and indirect cost savings in communications and marketing, greater business exposure and increased access to new customers and trading partners form some of the potential benefits and drivers of adopting e-commerce. The slow uptake of e-commerce by SMEs has been observed and subsequent research determining the factors that inhibit e-commerce adoption has also been explored. These barriers include a lack of financial and organisational resources, a lack of support from management, a lack of technology skills and experience and a concern about security and privacy (Lawrence & Keen, 1997; Tan & Teo, 1998; Tan & Konstapel, 1998; Purao & Campbell, 1998; Corbitt *et al.*, 1997; Carroll 1999). Other studies have found that the drivers for e-commerce adoption are a combination of factors derived internally within the organisation and externally from the business environment (Poon & Swatman, 1997; Feindt *et al*, 2002). To date, there is lack of empirically grounded heuristic IS models in the literature that depict the actual utilisation of e-commerce by SMEs. Emergent models and frameworks that initially appeared in the IS literature were often unsubstantiated or lacked empirical validation. There is a need amongst the IS research community, practitioners and government for a set of e-commerce models that have been grounded in the experiences from SMEs actively utilizing e-commerce. Further more, customer loyalty and e-commerce phenomena are very interesting to be analyzed and discussion more to get formulation in general application for business development. Based on that introduction above, the problem that be studied in this paper are:

1. How to develop company by managing customer loyalty?
2. What the usefulness of e-commerce for Small and Medium Enterprises development?

2. METHODOLOGY OF STUDY

This paper written use the Descriptive Qualitative Analysis Method based on the observation of the current situation of e-commerce usefulness in developing company such as small and medium enterprises and the way of maintaining customer loyalty in business development.. This study also use literature study of some refferences related with the topic explained. Beside that, case study also used in analyzing of the problem and solution given in this paper.

3. RESULT OF STUDY

A. The Way for Managing Customer Loyalty

In developing companies needed ability in managing of customer loyalty. In this, company development can be established by providing customer loyalty programs. Customer loyalty programs are now thought to have been among the most successful marketing tools of the 1990s, and they have received considerable attention in both trade and academic journals. Loyal customers are considered an asset to the business, as relative costs of customer retention are substantially lower than those of acquisition (Fornell and Wernerfelt, 1987). Consumer loyalty is considered an important key to organizational success and profit (Oliver, 1997), and practitioners increasingly refer to the “lifetime value” of customers as a form of equity. Customer loyalty programs focus on the firm’s existing customer base with the intention of building lasting relationships as well as to strengthening commitment and creating “velvet handcuffs” that bond the customer to the brand (Dowling and Uncles, 1997). Some key loyalty-marketing trends have been identified and explored in detail (Capizzi and Ferguson, 2005). First loyalty programs appear to have been the “trading stamp programs,” popular in parts of the USA during the late 1950s and 1960s. Typically customers received one stamp for every 10 cents of purchase, and could redeem their stamps for merchandise at specially established redemption centers. Trading stamps became so popular in some areas that retailers competed by offering three and four times the normal award of stamps. It was not unusual to see automobile glove compartments and kitchen drawers stuffed with trading stamps. In the early 1980s, airlines added frequent flier programs, with points accumulated on the basis of miles flown and redeemable for free flights, (Wansink, 2003). Frequent flier programs have been in existence for over 25 years and have dramatically changed the pricing and marketing programs of what is essentially a commodity business (Varien, 1999). During this period also, loyalty programs became popular with other service industries such as hotels, rental caragencies, department stores, and credit cards.

Loyalty programs usually provide rewards based on cumulative purchases, and are an explicit attempt to enhance customer retention and increase product usage. They also serve to attract new customers with the promise of additional benefits. They encourage repeat buying and thereby improve both retention rates and "share of wallet" from regular customers (Lewis, 2004). Bell and Lal (2002) in their study on the "Impact of frequent shopper programs in grocery retailing" suggest two major reasons for the success of frequent shopper programs:i) Reduced price competition and therefore higher margins and profits due toswitching costs faced by customers; and ii) Reduced marketing expenses by focusing attention on retaining loyal customers and capturing an increasing share of their wallet. Of course, It's very interesting to talking more.

Definitely, consumers are motivated to participate in such programs because, fundamentally, they like to get something for nothing (Uncles, 1994). Past research has tried to assess the effectiveness of loyalty programs in creating true customer loyalty. Among the findings are that such programs are more suitable for products and services with high margins or ones that a customer will invest in heavily over a long period of time (Wansink, 2003). Point-based reward programs, the specific focus of this paper, also work well for products and services that are typically not unique (Geller, 1997), e.g., video rentals, groceries, and car wash services. Rothschild and Gaidis (1981) suggested that consumers have "deal-loyalty" rather than loyalty to core products or vendors; in such cases, once the loyalty program is withdrawn there is a decline in consumer loyalty. Although a few researchers (e.g. Sharp and Sharp, 1997; Dre`ze and Hoch, 1998; Liu, 2007) reached conclusions that doubted the effect of reward point programs, most research results show them to be beneficial to a wide range of businesses. Thus, there are some ways to maintaining customer loyalty such as giving point reward program to customer.

B. Awareness of the Point-Reward Programs

For increasing loyalty of customer, company can give credit card reward programs collaboration with determining banks. This program could encourage redemption more than they currently do, especially for first-time card users, in an effort to reduce switching when they are approached, as inevitably they will be, with competitive offerings. Marketers can enhance redemption rates through communications that raise program awareness and simplified redemption procedures. Several of the recommendations that follow are also related directly to this first one. Reward program servicing costs will vary by type of customer. Banks may wish to pursue actions that could lower redemption servicing costs, drive more frequent card usage, and actually build customer loyalty. For example, they may consider restricting redemption to larger reward items that customers will, of necessity, claim less frequently. Because one reason for non-redemption, supported by the findings of the current study, is that some card users never accumulate enough reward points to be eligible for redemption, this can be a sensitive issue. In this respect, card issuers can encourage greater point accumulation with promotions aimed at persuading customers to use their cards for more of their everyday purchases and a generally greater share of wallet. In addition, the rewards themselves could be made more attractive, i.e., “worth going after” in the minds of targeted card user segments. Since the most effective kind of promotion is word of mouth endorsement by satisfied customers, participation in point-reward programs that results in card holders acquiring significant and attractive products and/or services can also influence their friends, neighbors, and business associates. The low redemption rates for point-based rewards were partly the result of low awareness levels. Marketers can develop web-based communication plans that more effectively explain the features and benefits of their point-based reward programs, with respect to both what the programs are and how benefits can be redeemed. Early adopters of credit cards in any countries are more likely than the population at large to be internet users, so that putting an emphasized keyword in print or television commercials to encourage audiences to seek specific product information via a search engine could be a cost effective means of explaining somewhat complex details of reward programs and the redemption process. This could be combined with other paid advertising in conventional media, especially if there are co-branding opportunities with popular search engines.

Reward programs should be used to drive customer buying and to encourage repeat purchases. Loyalty building should be viewed as a long-term process. There is considerable lifetime value of a customer who is loyal to a particular card issuer and who uses the card both more frequently and for larger purchases as their prosperity grows along with some prosperities. To this end, delayed rewards may be effective in the long run for some customer segments, assuming that they are satisfied with the service experience.

C. The Usefulness of E-Commerce for Small and Medium Enterprises development.

E- Commerce and Electronic Banking

Electronic banking is one of the first ecommerce applications implemented by SMEs. For some businesses the use of electronic banking may represent their only exposure to e-commerce. Electronic banking provides a convenient, timely and relatively secure way of transferring funds between one business and another. The use of electronic transaction devices allows businesses to conveniently process credit card payments in-house. This technology provides the flexibility for virtual businesses to operate remotely and without the constraints of normal business hours. The skills required to use electronic banking are minimal. The financial institutions will often install and support the technology that alleviates implementation and ongoing maintenance issues. The advantages of electronic banking are increasingly recognized and accepted by the business community. The convenience, security, reliability and ease of use are essential attributes of an e-commerce application that achieved a high adoption rate. Examples of electronic banking applications found in the case studies include electronic payroll systems, on-line banking and telephone banking. This way can drive transaction promptly.

E-Commerce and Communication

Communication is very important in doing business activities. The use of e-mail and other Internet based communication technologies are becoming wide spread. E-mail is used in a number of different roles. It can be used internally within a business and externally to disseminate information to numerous individuals quickly and effectively. The introduction of e-mail has provided significant benefits for a wholesale bakery operating twenty-four hours a day allowing management to communicate with night shift staff and vice versa in a structured manner. E-mail has further improved quality control and the consumer service by channelling customer concerns directly to the production manger. Consumer complaints are resolved quickly enabling product quality to be maintained and controlled. Messages arrive to the appropriate people quickly and an audit trail of communications is available for reference. The use of electronic forms also provides advantages to businesses that process a large volume of communications with consumers and businesses along the supply chain. The use of electronic forms by the wholesale bakery has revolutionized its conventional order entry system. Clients are able to attach electronic order details to e-mails providing an efficient and standardized form of data entry. Electronic forms removed the manual task of data entry that is susceptible to human error streamlining the order system aligning key customer orders directly into back office information systems.

Electronic forms can also be used to structure information imputed through a web page where information is manipulated into a format ready for direct processing by back end information systems. This has enabled a credit agency to streamline their data entry procedures by directly integrating data sets from e-mails or through their web pages. The advances in electronic communications technologies also make it possible to conduct operational management tasks remotely from branch offices. For example, an essential oils supplier with a head office located in Sydney efficiently performs all the branch office accounting functions by running a remote client session on the branch computer. In another example, a retail bakery operates numerous franchise outlets located around the State and remotely downloads daily sales information directly from each cash register located at the franchises for analysis. The business also provides all accounting functions for each of the franchises to maximize operational efficiencies. Although the use of e-commerce communication technologies is slowly gaining acceptance, the diffusion of e-commerce along a complete supply chains is an exception rather than the rule. Communications between businesses still heavily relies on conventional face to face, phone and fax communication technologies (Hanaoka & Shimada, 2000).

E-Commerce and Customer Service

E-commerce is very potential to improve the quality of customer service for many SMEs. The SMEs use e-commerce to support and foster sustainable customer relationships. E-commerce enhances customer service by improving accessibility, convenience and facilitates the provision of value-added services for the customer. Analysis of the case studies suggests that e-commerce can improve the level of customer service in three ways. Firstly e-commerce provides a mechanism for businesses to communicate directly with customers. E-commerce also provides a feasible and standardized mechanism to deliver structured information to a large number of individuals and trading partners. Finally e-commerce improves customer service by providing customized functions or incentives specific to the needs of the customer. These services are aimed at maintaining customer loyalty and convenience. This study highlights three instances where customer service was improved as a direct result of incorporating e-commerce : i) Provision for Direct Feedback. ii) Information Dissemination. iii) Customer Retention

E-Commerce and Direct Feedback

For increasing quality, companies need many feedback from their customers. The ability to communicate directly with end users of products and services greatly enhances the level of customer service. E-commerce enables businesses to bypass traditional communication linkages along the supply chain by providing a mechanism for direct contact between primary producers or manufacturers and the end user. This can greatly enhance quality assurance, product testing and marketing. The feedback to the business provides a valuable method to maintain quality control of its products and adjust processes or product lines that better suit the customer’s demands and desires. Similarly, the business also has the chance to test new product lines and implement changes gaining dynamic feedback from valued clients.

The use of e-commerce permitted on-line bookshops to collate information from customers to create customer profiles that personalized future communications and created the potential for customised marketing strategies for similar groups of existing customers.

E-Commerce and Information Dissemination

E-commerce can significantly improve the level of service delivery for those businesses that are in the business of providing information. Information products are highly conducive to e-commerce transactions due to their flexibility and portability. The credit agency and an agricultural information bureau are examples of information providers that have identified the benefits of using e-commerce to deliver and acquire information. The use of e-commerce has transformed the level of customer service for credit agency. The costs associated with acquiring, manipulating and reporting information to customers are significantly reduced. The level of ecommerce activity continues to grow as clients recognise the convenience, timeliness and accessibility of acquiring information via an online system.

E-Commerce and Customer Retention

The potential threat of disintermediation by suppliers prompted a clothing supplier to offer an innovative approach to trading with its major customers. The ecommerce application streamlined customer inquiries, enabling clients to access key information about products, order status, and stock availability twenty-four hours a day at their convenience. To increase client rapport and loyalty, the e-commerce system was also designed to provide a value-added service for corporate clients. The e-commerce solution enabled corporate customers to individually monitor their staff orders and budget allocations. This added service is aimed at enticing existing clients to maintain and promote a better trading relationship with the business. The implementation of an e-commerce system in the case of the credit agency significantly enhances the traditional transaction processes between the business and clients. The ability for customers to input current information and receive live credit reports has resulted in an improved reporting service for both the business and the clients. Clients have the convenience of accessing information whenever they want it and the information is current at the time it is accessed. The business benefits by reducing the need for double data manipulation and formatting. The costs of providing services to the e-commerce clients are greatly reduced while still maintaining a high level of customer service and data integrity.

E-Commerce Able to Increasing Sales and Marketing

The attraction of a global on-line marketplace was a major driver for SMEs to establish new customer markets and sales at a relatively low cost. The study found that some SMEs developed a strategic approach to fully embrace and integrate their online sales and marketing activity while other businesses approached their e-commerce initiatives with an ad-hoc experimental mindset. These SMEs used ecommerce in an experimental mode, where on-line sales were not considered to be an essential part of their core revenue stream. The Internet provides a highly conducive environment to sell and market information related products. Digital information is ideally suited for e-commerce as these products are easily transferred and stored, delivery costs are minimal and are accessible twenty four hours a day.

The combination of e-commerce applications and conventional trading mechanisms provide alternative methods for individuals to interact with SMEs. The level of potential benefits derived from e-commerce depends on the different degrees of e-commerce functionality provided by SMEs. While a large proportion of SMEs in this study were using e-commerce for sales and marketing purposes, the level of e-commerce sophistication varied considerably. Some SMEs provided static web pages with product information and basic ordering facilities with little or no security. At the advanced end, SMEs were providing sophisticated secure order entry systems with direct systems integration into the backend information systems. E-commerce provides an incentive for some SMEs to disinter mediate part of the supply chain. The opportunity to bypass parts of the value chain presents a major ecommerce driver.

Disintermediating the wholesale and retail nurseries from the traditional supply chain is an attractive business proposition. The global reach of the Internet increases the market opportunity for their product, and the ability to correspond directly with individual customers facilitates a greater level of customer service and feedback. For this business, the use of e-commerce provides a win-win situation for both the business and the customer.

E-Commerce Give Substantial Change to Business Processes

Significant benefits can be achieved from e-commerce by integrating e-commerce functions directly into conventional business processes particularly for businesses that are trading in information based products. The use of e-commerce allows resellers and corporate customers to interact directly and unassisted with the distributor's inventory systems. The e-commerce system reduces the number of product queries and fast tracks the ordering process.

These types of e-commerce applications enhanced the business processes by streamlining the handling of customer queries alleviating time and resources for customer phone and fax support. The retail bakery operating a statewide franchise relies heavily on e-commerce to control their franchise system. Information is polled daily from each franchise for analysis. Based on the information collated from each franchisee, strategic direction regarding marketing, product range and business viability can be discussed. This dynamic approach to monitoring the franchises is based on an elaborate e-commerce system. The information reporting and financial systems rely totally on the e-commerce infrastructure. Without e-commerce this business could not work as efficiently as is currently possible.

E-Commerce Provides Cost Reduction

It is difficult to measure all the potential benefits that can be accrued from ecommerce by SME. However, the analysis of the data indicates that e-commerce can potentially reduce costs in several key areas; i)

Communications, ii) Publishing, iii) Marketing, iv) Product demonstrations, v) Production costs, lower overheads, vi) Supply chain costs, vii) Product delivery and time saving.

A common cost saving for the cases was a reduction in communication costs both internal and external to the business. The use of intranets, e-mail, electronic forms and web forms provide alternative modes of cost effective communications with external clients, and trading partners. Cost savings for external communications, utilising ecommerce technologies, are particularly effective when these individuals are located interstate or internationally. The ability to send technical and sales support information to multiple recipients simultaneously is advantageous, saving time, conventional publishing costs and delivery costs. The ability for a business to disinter mediate components of a supply chain and transact directly with end consumers provides an avenue to reduce the costs of agent fees/commission along the value chain. Potential cost savings are significant and may be a primary driver for e-commerce if the business is the primary producer or manufacturer of the product.

However these e-commerce initiatives are not fully integrated into existing information systems. Typically, users of these experimental e-commerce systems have to re-enter order details and customer information manually back into existing transaction systems. The potential efficiencies from e-commerce are significantly reduced when an experimental perspective is taken. However the costs associated with adding limited e-commerce to the business are less than an elaborate fully integrated e-commerce trading system.

Micro, small and medium sized businesses were found to be representative of the experimental e-commerce user group. This research supports Daniel et al, (2002) notion that business size and amount of turnover does not reflect on the level of e-commerce activity (at least amongst the experimental e-commerce users) even though many of these businesses possessed the managerial, financial and technical resources to implement more sophisticated e-commerce systems. The experimental users of ecommerce do not consider e-commerce to be strategically important to the business initially. These SMEs experiment with e-commerce to gain some experience and knowledge in order to determine what contribution it can make to the organisation. After experimenting with the e-commerce technologies if the businesses can envisage a potential benefit derived from e-commerce, they may decide to commit more resources to develop a more strategic perspective for the use of e-commerce.

E-Commerce in Strategic Use

While Hall (1995) indicates that formal strategic planning is not a widespread phenomenon within SMEs, the strategic use of e-commerce was noted in twenty cases included in this study. The strategic use of e-commerce by SMEs may be explicit in some cases but frequently it is implicitly implied. The term strategic is defined as :

"*Important or essential in relation to a plan of action*" or "*Highly important to an intended objective*" (www.dictionary.com).

These definitions are both pertinent to how the term strategic is discussed in this study. In this study, the strategic use of ecommerce includes those businesses that have significantly altered existing business processes to incorporate e-commerce as a significant component of their business. The strategic use of e-commerce also includes those businesses that depend on e-commerce as part of the daily business practice. Without the use of e-commerce these businesses would be severely disadvantaged. The strategic use of e-commerce by SMEs can be further distinguished by those businesses that have transformed their business processes or organizational structure to acquire the greatest benefit possible from e-commerce.

The potential benefits derived from the strategic use of e-commerce provide: i) Enhanced customer services, ii) Reduced transaction costs, iii) Increased business efficiencies, iv) Improved operational flexibility, v). Obtaining competitive advantages and vi). Improved product and service delivery. The businesses exhibiting a high degree of strategic utilisation of e-commerce consider e-commerce to be an essential component of their business operations. It is used to enhance customer service by providing alternative ways to communicate with customers. E-commerce facilitates lower transaction costs by reducing communication, publishing, marketing, delivery and production costs and by providing other operational efficiencies unobtainable in the past, where individuals can self serve themselves for product/service information and other general inquiries. While the capital and resource outlay may be extensive, management believes that costs associated with aligning ecommerce strategies with core business strategies will enable them to be more competitive in associated marketplaces. The development of new systems incorporating e-commerce makes it more difficult for competitors to react and assimilate. E-commerce is used to enhance supply chain management and customer information systems by streamlining procurement processes and customer relationship models. Business efficiencies can be generated with business to business transactions through superior online communication technologies and business to consumer transactions are improved by the ability to deliver products and services to consumers in a timely, convenient and cost effective manner. E-commerce is a major component to their business proposition. Established businesses may find that a substantial portion of their market place is derived or accessed from the on-line market. Consequently they may consider two avenues; a total consolidation of business activities and transformation from a "bricks and clicks" company to a "clicks only" business, or choose to start up an independent business solely catering for the on-line community. The use of strategic alliances may also give rise to this state however as previous research has highlighted this is not a key determining factor in virtual small business (Chau & Turner, 2002a).

The strategic use of ecommerce increases so does the degree of business transformation and associated potential e-commerce benefits. This conceptual model depicts the utilization of e-commerce across four phases. as 1) Having a static presence on the web, 2) Using e-commerce as a adjunct to traditional business, 3) Integration of e-commerce into existing business processes and 4) Creating a virtual business structure.

Significantly, SMEs do not necessarily migrate between phases in consecutive steps but may establish their e-commerce initiatives at any of the phases. This phenomenon differs from past staged models of e-commerce adoption proposed by other researchers (Daniel *et al.,* 2002; McKay *et al.*, 2000; Poon & Swatman, 1997). SMEs may progress from one phase to another, bypassing sequential phases as they expand their e-commerce activities within their business. Levy and Powell (2002) also found SMEs do not necessarily follow a single IS transformation path in relation to e-business transformation models but may take alternative business transformation pathways in relation to e-business activities. This is contrary to a staged model of e-commerce utilisation proposed by other researchers (McKay *et al.,* 2000; Daniel *et al*, 2002). McKay *et al's.* (2000) stage model suggests that as the organization's sophistication of e-commerce and IT matures the chance of reaching electronic business maturity increase. However the model depicts the most mature stage of electronic business occurs when both the levels of e-commerce and IT have achieved a high degree of maturity. The greatest benefits from e-commerce are attained through a basic utilization of e-commerce (eg. adopting e-mail) even though they possess a highly sophisticated level of IT maturity. The model also assumes that IT/IS activities are separate from e-commerce activities. However in reality, the evolution of one pathway can directly affect the evolution of the other. Finally the model assumes that organisations take a staged approach to conducting IS/IT and e-commerce activities. The models of e-commerce usage presented by Daniel *et al.* (2002) and Poon and Swatman (1997) acknowledge distinct types of e-commerce applications but provide limited detail on the impact of the e-commerce initiatives on business processes within the business. These models follow a staged approach to e-commerce but fail to account for more adventurous uses of e-commerce, which may not necessarily follow a staged or step process. So, significantly e-commerce has given big contribution in developing of Small and Medium Enterprises.

4. CONCLUSIONS

This study is a small step towards understanding the awareness and redemption levels of users of credit cards that feature point-based reward program. While such programs are frequently referred to as loyalty programs, in actual fact they appear to have less to do with building customer loyalty than with attracting new customers and encouraging greater card usage. Redemption activity is related to the conditions of: (i) the consumer being aware of the point-reward point program itself; (ii) the consumer holding a positive attitude about the incentives; (iii) the length of time using the card. (iv) the average usage of the card. The mostly user is in low level of reward-point redemption among credit card users, primarily due to lack of awareness of the programs themselves and/or the redemption procedure, and the perceived convenience of redeeming points relative to the level of customer interest in available rewards.

For the future, millions, or even tens of millions, people will acquire their first credit cards each year. Banks that can be “first to wallet” to new segments of cardholders should be able to achieve a higher equilibrium share of that market than later entrants, along with scale economies from lower unit processing and maintenance costs, and a stronger ability to survive any shakeouts as The potential benefits derived from e-commerce increase where businesses engage in a process of business transformation. As the investment in e-commerce increases optimal benefits can only be obtained by suitable changes in organizational structure and processes. The phases depicted in the conceptual model do not necessarily prescribe an evolutionary path for e-commerce utilization but is dependent on the strategic choices made by the SMEs. This study has found that subject to business directions and strategic goals it is possible through investment for an SME to migrate or establish themselves directly at any one of the four phases.

There are two distinct perspectives adopted by SMEs in relation to the use of ecommerce. The initial perspective comprises a period of experimentation with ecommerce that delivers limited e-commerce benefits and requires limited organizational change. The second perspective involves a clear strategic direction requiring greater resources and organizational transformation to acquire increased potential to derive ecommerce benefit.

There exist two modes of e-commerce users: SMEs that consider e-commerce as experimental tool supporting existing business processes, and those SMEs that consider e-commerce a strategic device to leverage new business opportunities and benefits. These SMEs use e-commerce primarily to gain a static presence on the Internet their web sites are unlikely to change and often resemble electronic brochures. The business transformation and potential benefits derived from e-commerce is formed in a conceptual model. It would be valuable in future research to explore the model across different industry sectors and to determine how various internal and external factors directly effect the use of e-commerce within each industry sector.

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