

Impact of e-commerce



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E-commerce is the process of managing online financial transactions by individuals and companies. This includes business-to-business (B2B), business-to-consumer (B2C) and business-to-government (B2G) transactions. The focus of e-commerce is on the systems and procedures whereby financial documents and information of all types are exchanged. This includes online credit card transactions, e-cash, e-billing, e-cheques, electronic invoices, purchase order and financial statements. E-commerce is particularly concerned with the technologies that enable EDI-type functionality on the Internet.

To be done an internationally agreed working definition of e-commerce it was accepted the need for three dimensions to be spelt out as part of the definition process. These dimensions relate to the: Networks over which the relevant activities are carried out; Processes that ought to be included within the general domain of electronic commerce; and Actors involved in the transactions.

Networks are specified through broad and narrow definitions.

The broad definition considers an electronic transaction to be the sale or purchase of goods or services, whether between businesses, households, individuals, Governments, and other public or private organizations, conducted over computer – mediated networks. The goods and services are ordered over those networks, but the payment and the ultimate delivery of the good or service may be conducted on- or offline.

The narrow definition considers an Internet transaction to be the sale or purchase of goods or services, whether between businesses, households,

individuals, Governments, and other public or private organizations, conducted over the Internet. The goods and services are ordered over the Internet, but the payment and the ultimate delivery of the good or service may be conducted on-or offline.

Concerning the processes that ought to be included many countries want to restrict the definition to the purchasing and selling aspect incorporated in the above definitions, many others want to include other types of business processes, such as marketing and advertising. Developing countries will also favour a definition that includes business activities that go beyond purchasing and selling, given the restrictions that some of those countries face in conducting online payments.

E-commerce is often described as being one of three varieties – business-to-business (B2B), business-to-consumer (B2C) or business-to-government (B2G).

Much of the interest and the literature has focused on B2B and B2C electronic commerce and most of the statistical indicators have also been in respect of these two forms. About 80 per cent of the total value of electronic commerce in the world today are accounted for by B2B e-commerce. It provides also the greatest potential benefits in terms of productivity gains. B2C e-commerce has the potential to substantially affect the way in which people live and interact with each other and is therefore a key aspect for statistical measurement. Only a small number of countries have so far undertaken much work with respect to the measurement of B2G e-commerce.

E-commerce today is very much a business-to business affair. Enterprises in developing countries should not let themselves be fooled by the much higher visibility of the business-to-consumer dotcoms. Those enterprises in developing countries that make goods or deliver services that are necessary for the productive process of other enterprises are the ones that should first consider incorporating the Internet (which does not necessary mean the web) as an instrument to enhance their opportunities to complete and grow.

Due to the lack of reliable and internationally comparable e-commerce statistics, numerous national statistical offices have started to collect data on e-commerce and, generally, the use of ICT and the Internet. They have the advantage of guaranteeing the confidentiality of the collected data, having a more neutral position when it comes to collecting and interpreting the data and being able to use their existing methodologies and infrastructure for data collection, processing and analysis. Some countries are already benefiting from the results: they are now in a position to benchmark their economies with competitors internationally; they are able to identify the number of qualified people needed to advance their country's information economy or to calculate the amount of investments needed to provide business with access to the Internet.

There are several important steps involved in collecting e-commerce-related data.

First, a country needs to decide what kind of data it wants to measure, reflecting the level of its e-commerce activity. Most developing countries would be probably focus on collecting “ readiness” indicators, such as the

number of businesses with computers and access to the Internet, and “intensity” indicators, such as the number of businesses that receive orders over the Internet and the value of those orders. But how does one define these indicators? The member States of the Organization for Economic Cooperation and Development (OECD) have agreed on the above-mentioned working definition of e-commerce that could be used in the measuring process. The definition includes the network over which e-commerce is carried out (Internet or other), the specific business processes related to e-commerce and the different actors involved (business, households or Governments). On the basis of this definition, a set of priority indicators for e-commerce has been established by a number of international and national bodies.

Examining the e-commerce important question is what impact ICT and the Internet have had on the productivity growth. It reduces transaction costs; allocates resources better; increases economies of scale; improves the competitiveness of business in general; increases efficiency; generates important changes in the management and production processes of business.

Acceleration of the growth of productivity is notified but the reason for this is rather controversial. However the UNCTAD secretariat agrees that there are reasons to believe that much of the acceleration of productivity growth is structural and attributable to changes induced by ICT and the Internet, through improvements in all aspects of corporate organization, production, finance, marketing and logistics.

Although the speed at which companies in several advanced countries invest in ICT has decreased in the past few months, in the medium term there are several reasons to expect that ICT will continue to support rapid productivity growth. First, the cost of computing power is predicted to keep falling at a steep rate for several years. Secondly, most enterprises are still learning how to reorganize themselves in order to benefit fully from the Internet. Finally, in many countries there is a lot of catching up to do in the application of ICT to business. As firms in other developed economies and, most importantly, in developing countries engage in e-business, global productivity growth should accelerate.

We should have a look at the process of moving from traditional to online payment. Online versions of nearly all-existing payment methods are appearing rapidly. Conventional financial instruments with online analogues include cash, money orders, giro transfer, cheques, drafts, notes and bills of exchange. The existing modes of third-party protection against the risks of non-payment and non-performance, including documentary credit, credit insurance, bonding, factoring and forfeiting, are also rapidly developing their online equivalents. The same applies to wholesale payment systems, including so-called automated clearing house (ACH) networks, “ wire transfers” for large-volume payments and interbank payments networks.

Credit and debit cards are principal payments instrument in B2B and B2C e-commerce. The move from cards with magnetic strips to “ smart cards” with multifunctional chips that include security features is the next Internet-centered stage in the development of the payments cards industry.

In parallel, Internet technologies to provide security in online payments have been evolving. Still the most widely accepted standard, is the Secure Socket Layer (SSL), a set of built-in browser protocols designed initially by Netscape to protect card-based financial transactions on the Internet. A more secure and complex bank-centered Secure Electronic Transactions (SET) software is being used more and more by online payments providers.

In the field of Internet banking ACH debits and credits, as well as domestic and international wire transfers became possible with systems such as the Bank Internet Payment System (BIPS). The Society for Worldwide Inter-Bank Financial Telecommunications (SWIFT) also started its move to the open Internet platform.

Banks and financial services companies in the developing countries will need to adopt online payment systems and practices that will meet their clients' new needs arising from a shift to e-commerce. They will need to adopt systems that address the key issue of concern to users, namely security, confidentiality, identification of sellers and buyers, verification of buyers' solvency guarantee of delivery.

To obtain e-trade finance and equity investment, companies from developing countries need to be registered in local, regional and global Internet-based commercial risk database. For that, company registries, public courts, accountancy and audit, and other business-related services should undergo substantial enhancements. Non-bank financial services such as credit information, credit insurance, factoring and leasing should develop. Local banks should adapt to e-banking and move online their customer credit risk

databases, and their individual and corporate customer payment services and financing, including trade finance instruments.

Tourism and its Internet incarnation, often called “ e-tourism”, is regularly cited as one of the fastest growing e-commerce sectors.

Considering the importance of the tourism economy for Bulgaria and many other developing countries, and in particular its role as an employer and earner of foreign currency, the need to maintain and increase competitiveness through adopting e-commerce best practice is acute.

The main actors in the tourism industry include Governments, tour operators, distributors and wholesalers, hotels, airlines and other transport operators, and most important of all, the tourists themselves. Each of these actors has a stake in the development of the electronic market and will be affected in different ways by electronic commerce.

Tourism is an interesting sector for appreciating the potential of electronic commerce for the economies of developing countries in several respects. Tourism is a sector in which a significant number of developing countries have established competitive advantages over the years and it has remained largely a traditional service activity in which, until recently, buyers, sellers and intermediaries were well defined.

Tourism producers and destination organizations in developing countries that adopt the Internet and e-commerce best practice have a chance to improve their competitiveness by producing better products, with greater tailoring to

clients, more efficiently, faster to market with less waste and fewer inputs, and at better prices.

Infomediaries in developing countries should develop their e-business strategy having in mind the technical capacities of their national or regional tourism producers for using Internet technologies. Solutions must be appropriate for both consumers and producers.

The fundamental challenge is to take the traditional tourism product, delineate its information from its physical components, and selectively manage them using Internet and e-commerce technologies.

The winner in the competitive etourism game will be the company that inspires consumer confidence, through quality data and physical product performance, and is able to offer a comprehensive yet tailor-made product.

While Internet and e-commerce technologies offer unprecedented possibilities for interactivity and dialogue, traditional surveying and gauging tools estimating customer preferences and satisfaction are still very relevant. Footwork and face-to-face interviewing may be a necessary starting point for building a B2B network or business web. Market research, whatever the technology or even without technology, is a hugely important activity.

A fundamental factor for success is to speak the language of the prospective customers. A successful etourism strategy must assess the linguistic origins of its major client groups and replicate Internet content in their languages. Understanding their Internet habits and ways of learning, openness to on-line

dialogue and attitudes towards privacy, as well as the underlying legal system.

Online payment facilities for retail clients using credit cards are an absolutely fundamental business toll that must be made available to the national tourism sector. Destination marketing organizations (DMOs), be they government bodies or business associations, can favourably contribute to modernizing the tourism industries of developing countries. DMOs can provide a voice to the fragmented industry producers in promoting their requests to the financial authorities and banks to provide them with online payment. When online payment is in place DMOs may, on behalf of the entire tourism industry, negotiate with domestic banks better terms and conditions for online payment than particular tourism companies would manage on their own. DMOs may be instrumental in informing their tourism industry about secure transactions and risk management techniques.

Most of the above actions cannot be implemented without empowering and enabling people to take advantage of new Internet and e-commerce technologies.

E-commerce and Internet technology can improve communication and can make doing business easier. The ability of people at both ends of the message or transaction to use these technologies is a precondition for their wide adoption and impact.

In conclusion, it is expected that in the few years the productivity gap between the European countries and the United States (leader in e-commerce activities) will close rapidly as European productivity growth

increases faster than that of the United States. This process is known as convergence in productivity. Convergence in productivity takes place when the countries that lag behind the technological frontier grow more rapidly in productivity than the leading countries.

The same could be true for developing countries, with a reasonable degree of readiness. The impact of e-commerce on developing countries could be even stronger than that on developed countries because the scope for reducing inefficiencies and increasing productivity is much larger in the developing countries.

To summarize, by cutting costs, increasing efficiency and reducing time and distance, e-commerce could become an important tool for development.