

Impact of e-business on the economy



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The Impact of E-business on the Economy

Introduction

Electronic business also known as E-business is the conduct of business on the internet and other computer networks, not only does it involve buying and selling of products but also customer servicing and collaboration with business partners. In recent years, e-business has developed rapidly and the e-purchasing is becoming more popular over the world.

Electronic business (e-business) is a general concept covering any form of business transaction or information exchange executed using information and communication technologies (Whiteley, 2000). E-business may take place between firms (B2B), between firms and their customers (B2C), or between firms and the government (B2G). According to Whiteley (2000), e-business operations can be grouped into three categories; Electronic categories, Electronic Data Interchange (EDI) and Internet business.

E-business has been recognized as an important contributor in the economy of many countries. In the emerging global economy, e-business has increasingly become a very important and a necessary component of business strategy and a strong catalyst for economic development.

This report will be analysing the impact of e-business on the economy (EU) and the importance of e-business, stating the critical issues and challenges involved in e-business.

Impact of E-business on business organisations

To assess the economic impact of e-business in an organisation, I will concentrate on the important sectors in the European union which are the Retail industry, Banking industry and the Travel and tourism industry.

Retail sector

Retailing is one of the most important industry sector in the world, with no exception of the EU. In 2004 the EU retail sector, the industry comprised of approximately 17 million firms that employed people in the EU27 (e-business watch 2007)

In the retail sector, e-business has had great impact on the value chain. It has made a great difference in terms of shelf life of products and stock rotation time. It also highlighted the relevance of inter-business exchanges. In fact, retailers, beside their relationship with suppliers and consumers, have significant impact on intercompany exchanges through CEDI (centre of distribution). In essence, retail companies will want to rationalize and reduce costs of supply and management of the supply chain, starting with purchasing cost. They will also want to differentiate their own offers from the competitors, exploiting customer relation management techniques as to communication, sales and customers' loyalty (e-business Watch 2000).

The UK figures released by the Office of National Statistics in February 2009 showed that internet retail sales, as a percentage of total retail sales, rose by 13. 2% (average weekly value of £167 million). These figures closely match figures released by theIMRG/Capgemini Sales Indexwhich showed that the e-business retail market rose by 17% in July compared to July 2008, this

increase has been driven by the clothing, accessories and electrical goods online retail sales.

Banking Industry

The introduction of E-business (ICT) in the European banking system has had a significant impact on banks operating system and their operations within physical branches. The most important form of e-business used by banks is the online banking which has help cut down cost. E-business has enabled banks to redefine their boundaries and also gained competitive advantage through it. Internet banking is nowadays supported by advanced ICT solutions which enable most everyday banking services to be conducted online (www.ebusiness-watch.org). Studies also shows productivity growth rose in the EU from year 2000 onwards, while average working hours per employee has decreased subsequently, this study tells use e-business investment is largely substituting labour particularly in retail banking.

Travel and tourism Industry

In the last few years travel pattern has changed in the EU. The travel sector in the EU is so large that even a small share of it produces a major online market. Taking the internet for example, it has had a very high impact on the air travel industry. It can provide a direct connection between airlines and customers without the need to use travel agents or Computer Reservation Systems (CRS), thereby leading to cost savings in the distribution of air tickets (Law and Leug, 2000) the internet has become very extensive in the travel industries and its impact has been particularly significant on the distribution channel for air travels and the use of the Internet for searching and purchasing airline tickets has become common in

travel markets. The introduction of e-business to the airline industry has enabled most travellers to bypass travel agents altogether, with most agreeing that the most current air market will shift from traditional travel agents to internet based agents like [www. opodo. com](http://www.opodo.com). Recent studies shows that firms that have reinforced their e-business strategy in the airline industry has had an increase in sales volume for airlines' website. The internet has contributed strongly to the growth of most budget airlines taking easy jet as an example. Easy jet has never used the travel agent network, they rely on the internet because all their flights are booked online by customers. (Journal of Air Transport Management

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Impact of E-Business on the economy

Over the past decades e-business has helped and provided various methods in which buyers and sellers can transact In the decades to come, exploiting the full potential of developments could have profound impacts in individual sectors of the economy as well as for macroeconomic performance and economic policies. At the aggregate level, productivity and economic growth could rise, at least for some time, as a result of more efficient management of supply and distribution, lower transaction costs, low barriers to entry and improved access to information. In the business-to-business context, higher efficiency can be gained from B2B e-commerce and B2B exchanges via lower procurement cost and better supply chain management. Many companies claim that putting their supply chains online has led, or will lead, to major cost savings. According to Goldman Sachs (2000) study these gains range

from between 2 and 40 percent of total input cost depending on the industry which may subsequently reduce the price in the overall economy.