IMPACT OF E-COMMERCE ON GLOBAL BUSINESS AND OPPORTUNITIES - A CONCEPTUAL STUDY

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ABSTRACT

The purpose of this study is to find out the growth and influence of E-commerce and its effects on today’s business aspects and job creation. E-Commerce is growing at a rapid pace across the world with the penetration of smart phones and internet across the different levels of society across the world. The growth and its gains are already visible from the studies in developed countries, but with the business going to developing and underdeveloped nation, we will be witnessing greater positive results going forward. E Commerce opens a channel of global business, which will witness incremental business in days to come. With the impact of globalization and relaxation in export and import between nations, economies across the world will witness better knowledge and information technology growth and innovations. In addition to the above E commerce will play an important role in way marketing is done and job markets.

Key Words: E-Commerce, International Business, Marketing, Employment, Globalization

1. Introduction

E-commerce means transaction between buyers and sellers on Electronic platform explained in other words as online. E-Commerce is based on multiple technologies such as online platforms, Smartphone/Mobile technologies, Supply chain and logistics and Digital Marketing. Online draws support on technologies such as electronic funds transfer, electronic data interchange (EDI), Warehouse Management Systems and E Banking. World Wide Web is the most common used platform for E-commerce, but with the development of various tablet and smart phone based application, the E Commerce industry is going through big shift. The opportunity opened for countries irrespective of its economic development because of Electronic commerce is immense, E-Commerce virtually eliminated the drawback of distance between buyer and seller as it gives a platform for both of them to interact, communicate and transact in a virtual world.

Initially E-Commerce was only popular and accepted in developed counties, reasons being Internet penetration, expensive data, lack of infrastructure, resistance to adapt new technology, high cost of hardware etc. But now things are changing at a rapid speed where places across the
world is getting digitalized, smart phone penetration is at ever time high irrespective of counties economic development status and cost of data download is going down rapidly. Hence now a days we are seeing developing countries are benefiting quite a lot from E Commerce. (Panagariya, A. E-Commerce, WTO, and Developing Countries-2003)

Electronic business is growing day by day, developing country like India E Commerce generate USD $ 24 Billion in 2015, United State of America its close to USD $ 400 Billion in 2016, Europe its Euro 510 Billion and South Asia its USD $ 11 Billion. In today’s world millions of customers across the work use internet to do their routine activities such as banking and buying of goods and services. Internet today influence every business entity across the world. Organizations are using Internet for various digital marketing actives such as web marketing, email marketing, social media marketing etc. to generate business. Hence internet became a must have feature in the day to day activates of companies across the globe. With this feature of internet where customers have all data in their figure tips, created high level of competition between brands which results in customers getting competitive products at best possible prices with more variety to choose from (Malkawi, B. H. E-commerce in Light of International Trade Agreements).

As every coin has two sides, E commerce also got two sided impact on employment. Some of the traditional jobs will disappear but it does create new job opportunities too. More and more jobs will be created in technological and information sector both directly and indirectly.

One of the major shift which will come will be the relocation/outsourcing of back office jobs to countries which provide low cost of labor. This impact of employment, its shift and nature will be complex and will be different from counties to country and region to region. It will be extremely tough to create a uniform structure to the same (ECLAC. Electronic Commerce, International Trade and Employment 2002)

This article is divided in to three parts, first part will be discussing about the overview of E commerce, followed by growth and impact of Ecommerce, and the final part highlights the impact of E commerce on global trade, marketing and jobs.

2. **E-commerce: An overview**

Electronics Commerce widely known as E-Commerce is the new generation business technique which facilitates and fulfills the various needs of organizations across the world, where buyers and sellers meet online which helps to reduce the cost of doing business, and increase the speed of delivery and productivity. In E-commerce business happens paperless with the help of the Electronic Data Exchange, Emails, and Electronic Fund Transfers. E-Commerce offers variety of benefits such as no physical cash, business happens with the use of credit card, debit cards, smart payment cards, bank transfers and other online payment modes and applications. Customers also have the advantage of doing transactions 24x7, as organizations offers their products and services throughout day and night anywhere in the world. E commerce also helped organization to reach to their customers with their new products and services, digital marketing opened a new
horizon which brought customers close to organizations. E-commerce provide customers with online support 24X7, which includes both presales as well as post sales. This help organizations to increase their customer satisfaction as well as brand loyalty. One of the major advantage of doing business online is about inventory. Sellers need not want to keep the full range of products mentioned on their websites stocked in their warehouse and block working capital, they have the flexibility of sourcing the same as and when customer places the order. This gives opportunities for them to showcase millions of SKUS in their offering and procure as and when needed. As data is all electronically stored it becomes easy for organization to run any sort of report they need at any point of time. This ease the job of product managers which results in better inventory and working capital management. E-commerce provides organizations and its customers to have a very fast, reliable and efficient communication channel where in they can exchange information and transact at each other’s will. (ECLAC. Electronic Commerce, International Trade and Employment 2002)

Online is not only giving unlimited opportunity for doing with consumers (B2C), it opens a new horizon for doing business with business too(B2B). The B2B business help organization in the world to contact each other irrespective of which country they ae located, thanks to the advanced level of global logistics and transportation facilities, the revenue from E commerce has grown drastically. The growth of internet gives every business amazing opportunity to do business across the borders. This paved way for new customers and new market for organizations without investing in those places. For B2B and B2C, online business offered unlimited opportunity where in both buyers and sellers can transact without travelling to each other’s country which saves them a lot of time and money. This helped to ensure quality products at much more affordable pricing because of low cost of sales. Today the world is moving from a selling market to a buyers’ market and E-commerce played an important role in this change. (Ham, S. and Atkinson, D. R. a third way framework for global e-commerce)

The main advantage organizations benefited from E-commerce is the way organizations managed redefined the way they restructured their operations. Majority of the firms shifted their back-office operations, Research and development department, after sales support, and marketing to places which offer competitive man power cost. The drawback of distance was eliminated which helped organization to focus on better quality products and services, cost effective methods of marketing finally resulting in low cost of products to customers, improved efficiency, quick to market, lower order fulfillment time and high level of customer service. (ECLAC. Electronic Commerce, International Trade and Employment 2002)

Global B2C electronics commerce is predicted to grow 17% in 2017 and is expected to reach USD $ 1.22 trillion. (E Marketer 2017) North America leads the chart with a total sales of $420 billion followed by Asia Pacific region. It is predicted that various emerging nations in the Asia-Pacific region will dominate and contribute significantly to E-commerce growth in the next few years. The predicted growth rate is 23%, with countries like China and Indonesia showing promising growth. (Ebaying-2011)
3. Advantages of e-commerce on World Economy

E-commerce has a very strong impact on the world economy the pricing, availability of products, method of transportation, and customer behavior has changed dramatically in the last few years because of the way business happens online. B2B business in online contributes to a majority portion of revenue from online sales as well as it influence and contribute a lot to global supply chain networks. Close to 21% of sales of Manufacturing firms and 14.6 % of wholesale sales in the United States in 2013 was related to e-commerce. The main reason why B2B e-commerce is more advanced and bigger in size than B2C is because of the volume of business in B2B is much higher even though the number of players are less compared to consumers. The year to year growth in B2B sales via e-commerce helped the organizations to do business with lower cost and hence by increasing their profitability. Microeconomic level analysis will show that because of the steady growth in B2B e-commerce, the transportation cost, sourcing cost, warehousing cost and material management cost has reduced substantially. The macroeconomic level impact is of growth in B2B e-commerce resulted in inflation going down which resulted in better and increased productivity, profits and companies becoming highly competitive. B2B e-commerce has become the fastest growing segment in the world, over taking all other business such as trade and manufacturing since 1999. Even during the “Great Recession,” which was affecting the world market from December 2007 till 2010, the sales of various industries like manufacturing, Retailing and wholesales went down drastically but B2C e-commerce business overcame the recession without any decline. The growth percentage even during the recession phase was 18%. It's important to note here that a large portion of B2C sales come through mail-order houses, many of which have an online presence as well as traditional storefront outlets. Contrary to popular opinion, mail-order houses still have a very strong online presence, and until just recently their sales outperformed online-only retailers. (ECLAC. Electronic Commerce, International Trade and Employment 2003)

The impact of pricing of products in online versus brick retail is mixed. Previous studies found that the pricing of some of the goods sold online were higher compared to traditional retailers and one of the main reason for the same was because of the less number of customers who used to transact online. But recent study shows other way, for attracting more customers and to have a high data base, online companies are offering much lower price compared to traditional retailers which is one of the major reason for the increase in revenue. Traditional retailers have to take in to consideration the cost rent and other operational cost, staff labor cost and warehousing cost, while online retailers can benefit for the same and can offer goods at much lower cost and with better profitability. (Brynjolfsson, E. and M.D. Smith. frictionless commerce 1999). Some of the studies also prove that the demand sensitivity to price is mixed where some studies mentioning it low (Degeratu, A., A. Rangaswamy and J. Wu. Consumer choice behavior in online and regular stores: the effects of brand name, price and other search attributes, 1988) and others showing a high price elasticity of demand. (Goolsbee, A. In a world without borders, 1998). There are studies which suggest that GDP of various nations can increase up to 5% with the growth in B2B
(Sachs, G. The shocking economic effect of B2B) and B2C E-commerce. Apart form the same studies prove that the advanced growth and innovation in E-commerce technology could increase the speed and usage of financial operation which will have an impact of interest rates of economy in short run and long run. (Friedman, B. The future of monetary policy)

There are studies which proved that advancement in information and communication technologies played an important role in the overall quality labor and capital, in the United States. (Oliner, S.D., and Sichel, D.E. The Resurgence of Growth in the Late 1990’s) Productivity shown high rate of increase in industries which use information technology as well as others. (Jorgenson, D.W. and Stiroh, K. Raising the Speed Limit). While analyzing the data about US workers, its seems to provide details of increased productivity because of the growth in E-Commerce (Baily, M.N. Macroeconomic implications of the new economy-2001).

4. Effects of e-commerce on Global business, Marketing and Employment

The growth opportunity of E-commerce in immense for nations across the world irrespective how developed the country is at present. It impacts directly and indirectly job markets as well as the international business and trade between countries.

4.1 E-commerce impact on Global Business

With the extensive usage of internet in day to day life, the process of transacting business between nations got much easier, faster and economical. In olden days data collection was expensive and it has the challenge of accuracy and authenticity when it comes to acquiring information across borders. As such market research and data costed substantial amount to organization, it stood as a hindrance for doing international business. Business need to find the right source for supplies, setting product specifications and quality standards, price negotiations, transportation and warehousing as well as marketing costed a lot of money to organizations. With the wide spread usage of internet the market witnessed enormous number of e-commerce sites and e-commerce mobile applications which eliminated various activities which consumed money and time as well as reduced the distance between the buyer and seller. In this respect, thee-commerce will increase import and export much in the same ways lifting the trade barriers would what globalization has bought into. This will directly result in the increase in volume as well as value of international trade (ECLAC. Electronic Commerce, International Trade and Employment).

One of the study mention that there are enough proof that shows that with the help of internet, there is substantial growth happening in global markets interpretive of any historical linkage between these counties. Counties with less interactions in the past have heavily benefited from electronic trade, especially the developing counties (Freund, C. and Weinhold, D. On the effect of the Internet on International Trade). E-commerce opened a new opportunity for them to interact each other which they never had before. A study conducted in 1998 between 15 low income
countries in the world proves that they use various search engines to look for market opportunities (Daly, John and Robert R. Miller. Corporations' use of the internet in developing countries.)

One of the major criteria which decide the quantum and promotion of international business is the nature of goods. There has been a vast change in the nature of goods ion its form with the change in technology. Products which were distributed through the traditional physical distribution system paved way for digital format which made it easy to transact online. Some examples of these include movies, music, software, storage etc. which used to have physical form in terms of Audio Cassettes, CD/DVD. But the goods which cannot be converted into digital form continue to be in its original form and needs conventional transportation which involve cost of transportation which is a major part of pricing (ECLAC. Electronic Commerce, International Trade and Employment). The volume of goods traded in digital format is very small, it accounts to only USD $ 4 billion which is close to 1% of world trade -1996. But when it comes to the growth rate its growing at rapid pace , the average growth was 10% in late 90’s is now growing 1.5 times faster than the growth rate of total world(Mattoo, A. and Schuknecht, L. Trade Policies for Electronic Commerce, 2000).

E-commerce plays a very important role in service sector. The success for service sector growth is because of the power of E-commerce and information technology to make and convert non tradable services into tradable services. Activities such as research and development, computing, inventory management, quality control, accounting, personnel management, marketing, advertising and distribution is now getting traded because of the growth in Information technology. The tools and applications are considered to be the key success factors when there is increased standards of quality, accuracy and speed in terms of communication between buyer and the seller. E-commerce also encourage and is positively affecting the growth of international cross-border business with wide range of financial ,legal, telecommunication and personalized software and services which are carried out by electronic means (ECLAC. Electronic Commerce, International Trade and Employment).

E-commerce paved the way for opening of doors for doing international business which were closed previously. It also opened the concept of trade liberalization with the help of globalization. E-Commerce companies constantly innovate way to lower cost of transactions by exploring multiple strategies which generates greater results. With the help of such low cost, these firm enjoy potential benefits from trade liberalization in the service sector (Panagariya, A. E-Commerce, WTO, and Developing Countries).

One of the major factor which affect the growth of international outsourcing is because of the constant drop in the cost of communication. The cost of making international calls and the cost of data service is reducing rapidly and there are new technologies and applications available today for faster and low cost communications which lot of E-commerce organizations are
adopting such as Skype, VOIP calls etc. End result of the same, manufacturing and outsourcing management became most important aspects compared to other activities. Obviously, there are other activates which didn’t had any sort of impact with the development of E-commerce. Hence there were researches done to find out the industries or sectors that is less affected and vice versa with the growth in E-commerce and Information technology (ECLAC. Electronic Commerce, International Trade and Employment). As per the results of those studies across US and Europe, it is to believe that industries such as IT, Electronics, Telecommunications, Food, and Pharmaceuticals are internet intensive industries. This trend can be seen in other parts of the world too as the nature of industry and products traded remain same (Mann, C.L. Implications of Global Internet Commerce for Trade Competitiveness 2001). We can see that transactional organizations across the world and the most intensive users of E-commerce (Kuwayama, M. E-Commerce and Export Promotion Polices for Small and Medium-Sized Enterprises 2001).

The main reason developing countries to encourage e-commerce is looking at the potential opportunity to get low cost of imports and to gain better prices by exports. Developing countries do enjoy financial gain in terms of customs when domestic market imports goods and services. Countries do benefit from better and low cost medicines, new technological tools in medical, architectural engineering services, e-learning, and much lower cost of transactions even thought they don’t do much exports via E-commerce (Panagariya, A. E-Commerce, WTO, and Developing Countries).

Several studies suggest that the main reason for increased internet usage is because of trade and e-commerce. Consumers spend more time in searching the right products and services online. Customers do feel online offers wider range of products with best available, products can be purchased from anywhere in the world any time. Hence to access the same customers subscribe to internet data services either at home or through their smart phones so that they can search for what they want which increased online usage and traffic and quote a price where they can. Countries having larger contact with international market either via exports and imports are deemed to have more advancement in the digital technology compared to countries having low international interactions (Onyeiwu, S. Inter-Country Variations in Digital Technology in Africa). Similarly, there are studies which argues that when a country import from high income OECD economies, economically backward countries will gain from the knowledge spillovers which result in the adoption of new technologies (Caselli, Fr. and W. J. Coleman. Cross-country technology diffusion). Below table show the growth percentage as well as the internet users globally.
<table>
<thead>
<tr>
<th>World Regions</th>
<th>Population (2017 Est.)</th>
<th>Population % of World</th>
<th>Internet Users 31 Mar 2017</th>
<th>Penetration Rate (% Pop.)</th>
<th>Growth 2000-2017</th>
<th>Users % Table</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Africa</strong></td>
<td>1,246,504,865</td>
<td>16.6 %</td>
<td>345,676,501</td>
<td>27.7 %</td>
<td>7,557.2 %</td>
<td>9.3 %</td>
</tr>
<tr>
<td><strong>Asia</strong></td>
<td>4,148,177,672</td>
<td>55.2 %</td>
<td>1,873,856,654</td>
<td>45.2 %</td>
<td>1,539.4 %</td>
<td>50.2 %</td>
</tr>
<tr>
<td><strong>Europe</strong></td>
<td>822,710,362</td>
<td>10.9 %</td>
<td>636,971,824</td>
<td>77.4 %</td>
<td>506.1 %</td>
<td>17.1 %</td>
</tr>
<tr>
<td><strong>Latin America / Caribbean</strong></td>
<td>647,604,645</td>
<td>8.6 %</td>
<td>385,919,382</td>
<td>59.6 %</td>
<td>2,035.8 %</td>
<td>10.3 %</td>
</tr>
<tr>
<td><strong>Middle East</strong></td>
<td>250,327,574</td>
<td>3.3 %</td>
<td>141,931,765</td>
<td>56.7 %</td>
<td>4,220.9 %</td>
<td>3.8 %</td>
</tr>
<tr>
<td><strong>North America</strong></td>
<td>363,224,006</td>
<td>4.8 %</td>
<td>320,068,243</td>
<td>88.1 %</td>
<td>196.1 %</td>
<td>8.6 %</td>
</tr>
<tr>
<td><strong>Oceania / Australia</strong></td>
<td>40,479,846</td>
<td>0.5 %</td>
<td>27,549,054</td>
<td>68.1 %</td>
<td>261.5 %</td>
<td>0.7 %</td>
</tr>
<tr>
<td><strong>WORLD TOTAL</strong></td>
<td>7,519,028,970</td>
<td>100.0 %</td>
<td>3,731,973,423</td>
<td>49.6 %</td>
<td>933.8 %</td>
<td>100.0 %</td>
</tr>
</tbody>
</table>


Empirical studies found that internet usage is correlated with consumer’s openness to do online trading, as well as other controlling factors that might correlate with both. In one of the studies it is found that the percentage of users of internet contributes to a high share of population in developing countries which were not that open to trade (Wallsten, S. Regulation and internet use in developing countries). There are other studies which proves that additional measure of information and communication technology (ICT) usage and investments are correlated to various measures of openness to trade. One such research conducted across 54 African countries its found that IT use tend to be higher in countries which are open to trade compared to others (Onyeiwu, S. Inter-Country Variations in Digital Technology in Africa).

Various studies suggest that organizations involved in international trade are more likely to do B2B via e-commerce than B2C via e-commerce. The main reason for the same being the volume of business in B2B is much higher than B2C which will make the cost of supply chain and transportation much lower as well as better profitability (Kraemer, K. L.; J. Gibbs and J.
Dedrick. Impact of globalization on ecommerce adoption and firm performance 2002). Another research suggest that countries who invest a lot in information and communication technology import more of manufacturing goods from counties in the OECD (Caselli, Fr. and W. J. Coleman. Cross-country technology diffusion).

Jose and Richard (2001), explains the below points as the major impacts of e-commerce on international business:

- Flexibility in setting up and winding up of organization at the end of each product or process.
- Taking advantage of globalization by distribution of various value added activities to match geographic competitive advantage.
- With the help of efficient supply chain logistic partners, organizations can deliver goods and services across the globe efficiently.
- Faster to market with the new products globally as well as cheaply, from the experience and information gained from the customer data base.
- Possibility of large scale customization of product offering because of the high volume of customers.
- Ecommerce will lead to restructuring as well as reorganization of current organization by removing all boundaries and transform them in to virtual corporation with network of partners.
- Intense competition from organizations having high competence, skills and resources across the world to a particular market with less government interventions by means of self-regulations.
- Gives opportunities for companies to be born global with the ability to service across borders.
- This will pave way for having the lowest pricing with the highest consumer surplus

4.2 E-Commerce effect on Marketing.

When regular business transaction occurs in online platform, organizations should consider the main differences of customers from a brick store to an online site. The way marketing organization adopt the changes as per the requirements of its customers will be the main determinant for success of online marketing campaigns. Organizations should adopt marketing tools and techniques by understanding the nature and behavior of customers, hence various digital marketing techniques are now used to reach to the audience. These include, email blasts, web advertising, social media marketing and mobile marketing. There are situations where the
same customers can be online customer as well as offline. Hence the marketing strategies should be implemented considering both online and offline customers.

- Product and service promotion: E-Commerce helps organization to reach directly its customers with large data of information and a two way interaction with them where in feedback is available instantly.
- Direct saving: The cost of delivering information to customers over the internet results in substantial savings to senders.
- After Sales and Customer Service: with customers having direct access to organizations, it enables them to find detailed information, reverse logistics procedures, and troubleshoot and feedback online itself.
- Brand awareness and product Image: Organizations can create great level of brand awareness and product image with customers at low cost of investment.
- Advertising and Public Relation: with the advantage of two way communication online, organizations get immediate feedback and responses to companies various advertisement campaigns compared to traditional advertising which is mostly one sided.
- Personalization and Customization: As customers can communicate to brands directly, this will help organizations to custom make products and services as per each customers likes.
- Order Process: Electronic order generation is faster, accurate and cost effective, both buyer and seller received order confirmation and status update regularly by email.
- Customer Value Creation: While traditional marketing focus on transaction value creation, electronic commerce marketing target customer value and relationship creation which is long run.

4.3 E-Commerce and its impact on Employment.

E-commerce has both positive and negative impact on employment market. With the wide acceptance of online activates, more and more jobs are created in the jobs related to computers such as web designing & maintained, application creation, system analyst, computer engineers, data administrators, and programmers etc. E-commerce also requires creative people like artists, designers, writers, editor’s musicians for making the E content more interesting and customer friendly this can have an adverse impact on print publications as customers are moving from paper to paper less environment. E-commerce as it’s automated with self service facilities can reduce employment opportunities in administration and back office functions. Self-service systems allow customers, employees, and partners to enter and retrieve information without the help of an administrator. Some of the other sectors of employment which can have a direct impact are those who work as office assistants and secretaries, clerks, receptionist, ticket and travel booking agents, bank tellers, post office employees etc. Online business created a new set
of jobs in customer service for customers to help in filling up online applications, online chats and back office call centers. The reason for them to hire the above employees is to create personal contact with customers, there in help them to create customer loyalty. E-commerce and digital marketing hampered the job opportunity of people working in traditional marketing companies are now origins are allocating more budgets for digital marketing. Hence the job opportunity in digital world is increasing drastically (ECLAC. Electronic Commerce, International Trade and Employment).

Employment in E-commerce industry contributes of one third of the total employment market in US and Europe especially in the areas of Accounts and Finance and Business and commerce related sectors (OECD. E-commerce: Impacts and Policy Challenges. Economic Outlook, 2000)

Studies in this subject suggest that with the invention of new technologies will create demand for skilled labor as the industry demands the same (Bresnahan, T.F et al. Information technology, workplace organization and the demand for skilled labor)

5. Conclusion

The following results for the conclusion from this article. E-commerce will show tremendous growth in promotion global business wiping out the barriers of boundaries between nations and will be an integral part in GDP contribution. Countries will open up their markets for imports of goods through Ecommerce which will benefit various sections of society in terms of knowledge, skills, technological advancement, and improved ways of marketing as well as employment. With the technological growth happening on a daily basis, new advancement and applications are getting introduced every day and the volume of business will show growth. This led to the situation where customers start placing orders from the shops nearby via online and get products delivered as per ones convenience. Digital marketing is also growing at faster pace where in every origination is moving from traditional marketing to online marketing and its fast, easy and cost effective. Hence this integration of digital marketing with e-commerce will bring innovations in marketing functions. Job market will see a major shift in the nature of jobs and the need to technological skill set. There will be some reduction in traditional jobs because of E-commerce and digital business, but it will open a new horizon of jobs in Information and communication technology sector. The net result will depends on the skill set of candidates irrespective of the sectors.

References


