

Business Studies unit 15 ICT in Business E-commerce

Britain is turning into a dot.com nation. By 2001 over 10 million homes had access to the Internet compared with 6 million the year before. Also, many people access the Internet through cyber cafés and schools, colleges and universities. In recent years, more and more people (specifically the young) have turned to e commerce.

Retailers simply cannot afford to ignore these developments. However, not all retailers are equally well placed to take advantage of this changing environment for trade.

Recent events have demonstrated that selling via the Internet is not a guaranteed success for all companies. Some Internet ventures have collapsed even though billions of pounds were spent on trying to build the brands. These examples include:

- Boo.com, an on-line fashion and sports clothes retailer, which failed despite having £12million ploughed into creating awareness of it.
- Webvan, which soaked up £700 million in an attempt to create a large-scale retailing chain in the USA. Webvan had to file for bankruptcy.

Other companies are 'hanging in there', but have yet to make a profit. They struggle largely because they required an existing brand presence and needed to create one. Doing so is a long and expensive drag.

The potential of e commerce

E-commerce is seen as a major area of development over the next few years and virtually every well-known retailer is producing some form of web existence.

The major potential benefit through e Commerce for providers involves reducing work and manual processes. The benefit for suppliers involves freeing sales representatives from spending their time on administrative tasks, enabling them more time to sell, providing access to real-time sales information allowing for better management of fill-rates and operational processes, and reducing the level of effort for labour intensive administrative processes.

Another potential for e commerce is that the companies have no geographical boundaries so no one loses out and many people have access to the same type of products wherever they live. Selling over the Internet shortens the distribution chain and can reduce costs for

most companies. They could then redirect their costs to improve on the things that matter such as security and consumer awareness.

One of the main factors seen by many as holding back the further and faster development of e-commerce, certainly outside the high profile names, is the lack of trust by consumers in the on-line retailer. This covers issues such as the existence of the company, the delivery of goods ordered, the ability to return unsatisfactory goods and perhaps, most importantly, the security of personal information and credit card details.

A number of specialist organisations now attempt to provide assurance to consumers, on some or all of the trust issues outlined above. When a business meets the qualifying criteria established by such an organisation, it may display a seal of approval on its website. The consumer is able to click on the seal to obtain further information regarding the meaning of the seal.

It is clear that e-commerce is a fast growing market, but it is expected that the most important area of growth will not be the consumer buying over the Internet, but in the area of business-to-business transactions. (B2B) The business to business market may not have the same issues relating to trust, as businesses are likely to look to form on-going relationships, and there are already traditional means of making electronic payments.

A likely situation is that important customers will want to be able to order their goods online, check stock availability, prices and delivery times and be certain that the order will be delivered as expected.

The UK has experienced strong growth in Internet take-up recent years and is now one of the world's most 'connected' economies. In 1998, less than 10% of UK households had Internet access. Now, that figure stands at nearly 40%. Virtually all schools are now 'wired up' and almost 95% of businesses are online. In total, 56% of the UK adult population - some 25.6m people - have now used the Internet.

Help available in the UK

There is a large amount of help available to the UK to develop e-commerce. The government realised that they need to get everyone in the UK online and they have a group that is linked with the government called 'e-Envoy'.

The Office of the e-Envoy (OeE) is leading the drive to get the UK online, to ensure that the country, its citizens and its businesses

derive maximum benefit from the economy. To support this aim, the Office has four main objectives:

- To make the UK the best place in the world for e-commerce
- To ensure that everyone who wants to can access the internet by 2005
- To deliver electronically, and in a customer-focused way, all government services by 2005
- To co-ordinate the UK government's e-agenda across different departments

The Office of the e-Envoy is leading a cross-government programme aimed at ensuring that everyone who wants it can have Internet access by 2005. They work with other government departments and a range of private and voluntary sector partners to develop policies and help implement projects which all contribute towards the goal of Internet access for all.

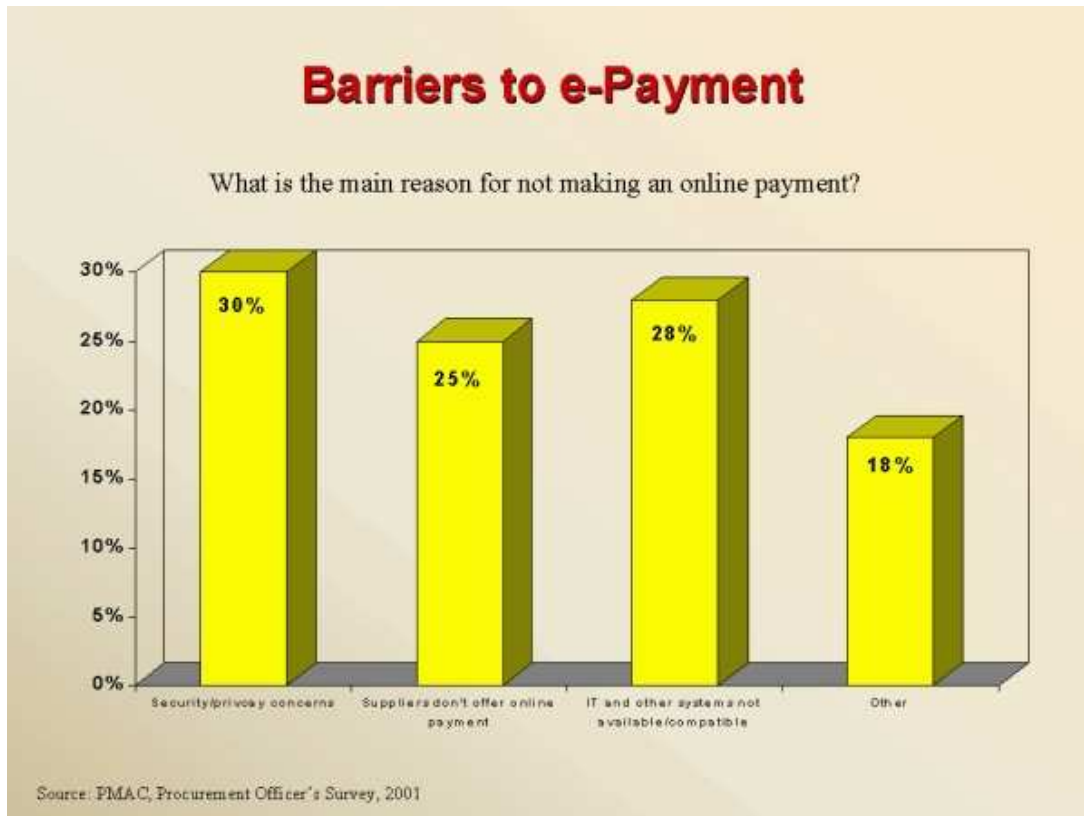
There are many companies on the Internet that are out there to make a profit these companies help businesses to launch on the internet and they deal with all aspects of it.

E-cradle was set-up and launched in response to a demand for specialist help in the UK for IT, Internet and e-commerce start-ups. The organisations involved in the venture have assembled a senior-level team to provide the entrepreneur with all the resources and tools that they need to set-up and run a successful internet business.

Current barriers to e-commerce



These are the main barriers to e-commerce that are shown on the graphs. They are the reasons for not using the Internet to purchase. Companies must look at these types of graphs and decided how they can improve the service they offer to the public. I have found these reasons for not using e commerce are very common and all companies must ensure they improve on these.



✎ All these barriers can be categorised into either internal barriers or external barriers.

The internal barriers are barriers that are inside the company such as training staff to know how to use the Internet and how to purchase goods, when a company decides to set up a website they will have to train their staff, so the staff have the relevant knowledge and training to manage the web site and run it correctly. This costs the business time and money, which sometimes they cannot afford to do.

✎ Another internal barrier is that many people and offices do not have equipment available to them to use for Internet shopping.

The external barriers to e-commerce are outside influences of the business.

These are factors such as ensuring customers and businesses that their credit card and financial details are secure, and reassuring the customers of the potential benefits. Graph 2 shows that security is the biggest problem why people do not pay for goods on the Internet.

✎ Another big problem is that some suppliers do not offer online payments. Companies must achieve this and then more people will be willing to buy.

