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Pearson

Unit 51: E-Commerce & Strategy

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LO1: Examine the strategies employed and the impact of E-Commerce on business organizations

E-Commerce and Strategy Part-3

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Impact of E-Commerce

- E-Commerce businesses are fast gaining grounds and changing the way of doing business.
- The main aspect of E-Commerce involves doing business on the web and includes:
 - Business to Business (B2B) trading which involves a business such as a company trading with another business on the world wide web.
 - Business to Consumer (B2C) trading which involves a business such as a company directly dealing with consumers over the world wide web.

Impact of E-Commerce

- It has affected consumers, the value chain, markets as well as business models.
- Ecommerce has affected businesses positively and negatively.



Impact of E-Commerce and how it has Empowered Customers

Greater Choice

- With E-Commerce, consumers are able to access a wide range of products and services.
- They can choose products from anywhere in the world, make an order and have it shipped to customer.
- This has given greater freedom to consumers by ensuring that they can get what they want despite their geographical location.
- Online stores, unlike the physical ones, have no limitation as to space.
- As such, the seller can stock as many products as they wish, giving the consumers more options.

Impact of E-Commerce and how it has Empowered Customers

Convenience

- E-Commerce is very convenient.
- Consumers can make an order for goods while in their house, office or even while travelling.
- Consumers do not need to go to the store itself, consumers only need to have internet access.

Impact of E-Commerce and how it has Empowered Customers

Saves Time

- The process of selection and payment in online shopping is quite short.
- It is possible to complete everything in 15 minutes and wait for the product to be delivered as they do other things.
- There is no requirement of travelling to the physical store.

Impact of E-Commerce and how it has Empowered Customers

Lower Prices

- With E-Commerce, middlemen are eliminated.
- The consumer can buy products from the producers themselves.
- Additionally, E-Commerce is not limited by geographical space.
- Firms can compete globally without the need to establish physical offices in every location.
- This increases competition and leads to lower prices of goods and services.

Impact of E-Commerce and how it has Empowered Customers

Availability of Information to Consumers

- One of the advantages of online shopping is that consumers can search for product description and compare as many products as they wish.
- Consumers are able to compare prices of various products as well.
- As a result, consumers settle on a product based on the information that they have accessed.

Impact of E-Commerce and how it has Empowered Customers

Global Markets

- E-Commerce relies heavily on the World Wide Web as opposed to physical presence.
- The internet has no physical limit and a trader in one country can advertise and sell his products to consumers in another country despite the geographical distance.
- In essence, E-Commerce businesses are capable of operating globally so long as they have the requisite means of sending the goods to consumers.

Impact of E-Commerce and how it has Empowered Customers

Direct Communication with Customers

- A producer of goods or services can communicate with consumers directly through the internet.
- This makes it possible for the producer to obtain feedback from consumers and, therefore, adjust accordingly to meet the preferences of consumers.
- Any shortcoming of the product can be noted and addressed without delay.

Impact of E-Commerce and how it has Empowered Customers

Instantaneous Purchases

- Digital products such as music can be purchased and downloaded immediately.
- Consumers do not need to go to a shop or make an order and wait for delivery.
- Consumers purchase and get the product anywhere anytime.

Impact of E-Commerce and how it has Empowered Customers

Online Advertising

- Online advertising, also referred to as online marketing, web advertising or internet advertising, uses the internet to deliver promotional messages to customers.
- E-Commerce has diversified the modes of advertising so that as a trader, owner can option for email marketing, social media marketing, search engine marketing, mobile advertising and display advertising.
- As a result, traders are able to reach more people at reasonable expense.



Impact of E-Commerce on Businesses



Impact of E-Commerce on Businesses

- E-Commerce impact on many areas of business and disciplines of business management studies.
 - **Management Information Systems** - Analysis, design and implementation of E-business systems within an organization; issues of integration of front-end and back-end systems.
 - **Human Resource Management** – Issues of on-line recruiting, home working and ‘Intrapreneurs’ works on a project by project basis replacing permanent employees.

Impact of E-Commerce on Businesses

- **Finance and Accounting** – On-line banking; issues of transaction costs; accounting and auditing implications where ‘intangible’ assets and human capital must be tangibly valued in an increasingly knowledge based economy.
- **Economics** – The impact of E-Commerce on local and global economies; understanding the concepts of a digital and knowledge - based economy and how this fits into economic theory.



Impact of E-Commerce on Businesses

- **Production and Operations Management** – The impact of on-line processing has led to reduced cycle times.
- It takes seconds to deliver digitized products and services electronically; similarly the time for processing orders can be reduced by more than 90 per cent from days to minutes.
- Production systems are integrated with finance marketing and other functional systems as well as with business partners and customers.

Impact of E-Commerce on Businesses

- **Marketing** – Issues of on-line advertising, marketing strategies and consumer behavior and cultures. One of the areas in which it impacts particularly is direct marketing. In the past this was mainly door to door, home parties and mail order using catalogues or leaflets.
- **Business Law and Ethics** – The different legal and ethical issues that have arisen as a result of a global ‘virtual’ market issues such as copyright laws, privacy of customer information, legality of electronic contracts etc.



E-Commerce helps buy and sell goods and services on the Internet.
E-Commerce facilitates fundamentally the movement of goods from suppliers to customers.



Access for 24 Hours

- If customer buy from an online store, customer spend low operating costs; customer have a better quality of service and, therefore, additional costs can save us unnecessary costs.
- For example, if our goods or services are downloadable, shipping costs will be completely canceled.
- With every online business, more and more coupons and deals cannot be avoided, which is quite awesome for customers.

Compare to Actual Buying, Through Online the Price Gets Reduced

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Benefits of E-Commerce to Society

Global Market Place

- Every customer from all over the world can find the site, product and information without leaving the house.
- In E-Commerce, customer do not need to visit the business physically.
- The facilities of the physical firm are not the criteria to be taken into account.
- Customer can buy at home; users can easily choose products among various procedures without having to physically move.

Easy to Compare Prices

- Everyone can easily compare product prices of different companies and products in terms of quality and quantity, or the services provided with them. price, because prices are easily comparable.
- They are accompanied by various specification while when the products are put online. They are finding various methods to compare with them and set us to attract them.
- So far, additionally to the terms offered within the exchange, electronic commerce is that the market highest to the model of good competition.

Return of Goods

- Returning goods online can be problematic.
- Uncertainties about the upfront payment and delivery of goods can be exacerbated during this process.
- Will the goods be returned to their source? Who pays the return fees? Will the refund be paid? Will I have nothing left? How long will it take?
- Compare that with offline experience of returning goods to a store. It is important to consult the return policy before buying. Always make sure that returning goods is an option.

Pros and Cons of E-Commerce



Advantages of E-commerce to Customers

- Provide details of the virtual showcase on websites with online catalogs.
- Reduced prices due to contests (coupons and offers).
- Access and convenience 24 hours.
- The global market for the purchase or sale of the product.
- Provide secure business transactions.



Advantages of E-commerce to Customers (Con't)

- It is easier to compare prices with other premium brands.
- Do not stay online or be held forever.
- Many options and range (options and options).
- Return products if it is of lower quality.
- Time savings and reviews of easy review.

Disadvantages of E-commerce for Customers

- Unable to personally examine the products
- Privacy and security in online purchases
- Fraud with credit cards
- Delays in receiving products
- Inability to identify fraud
- Guarantee/guarantee
- Quality
- Hidden cost
- Lack of personal interaction
- Website fraud.

Pros and Cons of E-Commerce

Advantages of E-commerce to Business

- Increase in potential market share by increasing the customer base
- Provide safe business and instant transactions
- Participate in retail for the launch of new products and services
- 24/7, 365 days of sales (buyer and seller)
- Expanding the scope of the business
- Main warehouse administration
- Reduction of employee costs

Disadvantages of E-commerce to Business

- Update hardware and software regularly
- Website maintenance at a periodic interval
- Additional costs and expertise for electronic commerce infrastructure
- The readiness of the site
- Training and maintenance Customer loyalty
- Outstanding logistics needs
- Security and credit card issues
- Fraudulent orders
- Sufficient internet services

- **Commercial Infrastructure:** Relates to issues such as international trade agreements, taxation laws and other legal agreements that facilitate all kinds of on-line trading and so is a barrier relevant to all types of businesses.
- **Technology Infrastructure:** Deals with issues of standardization of systems and applications, which is a particular concern for larger organizations who want to implement solutions such as value chain integration and E-Supply chain management.

Barriers of E-Commerce

- **Internet Infrastructure:** Deals with issues such as availability and quality of the Internet in terms of speed and reliability.
- This barrier is of particular concern to Business to Consumer organizations, since their business relies more on general consumers, and so the ease with which the general public can connect to the Internet has a direct impact on their Web-based business.

- **Security:** In its broadest term is one of the most significant barriers to E-Commerce both within the organization and external to it.
- Identified as Security and Encryption; Trust and Risk; User Authentication and Lack of Public Key Infrastructure; Fraud and Risk of Loss it relates to the development of a broader security infrastructure and it also relates to the kinds of measures barriers to E-Commerce businesses can take to improve security.

Barriers of E-Commerce

- **Interoperability of systems:** This is identified as one of the major barriers for large US-based Business to Business corporations.
- This refers specifically to implementation and compatibility problems of integrating new E-Commerce applications with existing legacy systems and resources within organizations.
- This problem also extends to interacting with systems of business partners and stakeholders.

Barriers of E-Commerce

- **Lack of Qualified Personnel:** This is a particularly strong concern because internally they do not have sufficient resources to attract and maintain their own support staff to develop a sophisticated technology infrastructure.
- With regards to third parties, the qualified personnel tended to work for larger organizations.

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Conclusion

**Thank you for your
attention.**