

E-Commerce

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MGM 212

Lecture 4



E-environment.

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Lecture 1: Introduction to e-business and e-commerce.

Lecture 2: E-commerce fundamentals.

Lecture 3: E-business infrastructure.

Lecture 4: - E-environment.

Lecture 5: E-business strategy

Lecture 6: E-procurement.

Lecture 7: E-marketing.

Lecture 8: Customer relationship management.

Lecture 9: Analysis and design.

Lecture 10: Implementation and maintenance.

LECTURE OUTLINE

1. Introduction.

2. Social and legal factors.
3. Environmental and green issues related to Internet.
4. Taxation.
5. Economic and competitive factors.
6. e-commerce and globalization.
7. Political factors.
8. E-government.
9. Technological innovation and technology assessment.

LEARNING OBJECTIVES

After completing this chapter the student should be able to:

1. Identify the different elements of an organization macro environment that impact on an organization's e-business and e-marketing strategy.
2. Assess the impact of legal, privacy and ethical constraints or opportunities on a company.
3. Assess the role of macro-economic factors such as economics, governmental e-business policies, taxation and legal constraints.

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1. Introduction:

In this chapter we concentrate on the role of the macro environmental forces. Aspects of the micro-environment or e-marketplace such as competitors, suppliers and intermediaries. We will review the macro-environmental factor using the widely used SLEPT framework. SLEPT stands for Social, Legal, Economic, Political and Technological factors. Often, these factors are known as the PEST factors, but we use SLEPT since it is useful to stress the importance of the law in influencing Internet marketing practices. The SLEPT factors are:

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- 1- Social factors** – these include the influence of consumer perceptions in determining usage of the Internet for different activities.
 - 2. Legal and ethical factors** – determine the method by which products can be promoted and sold online. Governments, on behalf of society, seek to safeguard individuals' rights to privacy.
 - 3. Economic factors** – variations in the economic performance in different countries and regions affect spending patterns and international trade.

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4. Political – national governments and transnational organizations have an important role in determining the future adoption and control of the Internet and the rules by which it is governed.

5. Technological factors – changes in technology offer new opportunities to the way products can be marketed.

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2. Social and legal factors:

In this section we look at the social and cultural impacts of the Internet. These are important from an e-commerce perspective since they govern demand for Internet services and propensity to purchase online.

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- Factors governing e-commerce service adoption

It is useful for e-business managers to understand the different factors that affect how many people actively use the Internet. If these are understood for customers in a target market, action can be taken to overcome some of these barriers. For example, marketing communications can be used to reduce fears about the value proposition, ease of use and security. **Chaffey et al.** suggest that the following factors are important in governing adoption of any e-commerce service:

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1. Cost of access. This is certainly a barrier for those who do not already own a home computer: a major expenditure for many households. The other main costs are the cost of using an ISP to connect to the Internet and the cost of using the media to connect (telephone or cable charges). Free access would certainly increase adoption and usage.

2. Value proposition. Customers need to perceive a need to be online – what can the Internet offer that other media cannot? Examples of value propositions include access to more supplier information and possibly lower prices.

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3. Ease of use. This includes the ease of first connecting to the Internet using the ISP and the ease of using the web once connected.

4. Security. While this is only, in reality, a problem for those who shop online, the perception generated by news stories may be that if you are connected to the Internet then your personal details and credit card details may not be secure.

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5. Fear of the unknown. Many will simply have a general fear of the technology and the new media, which is not surprising since much of the news about the Internet non-adopters will have heard will concern pornography, fraud and privacy infringements.

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- Privacy and trust in e-commerce

Ethical standards are personal or business practices or behavior which are generally considered acceptable by society. A simple test is that acceptable ethics can be described as moral or just and unethical practices as immoral or unjust.

Ethical issues and the associated laws developed to control the ethical approach to Internet marketing constitute an important consideration of the Internet business environment for marketers.

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- Other e-commerce legislation

Sparrow identified eight areas of law which need to concern online marketers.

1. Marketing your e-commerce business

Sparrow used this category to refer to purchasing a domain name for its web site. There are now other legal constraints that also fall under this category.

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2. Forming an electronic contract (contract law and distance-selling law)

We will look at two aspects of forming an electronic contract: the country of origin principle and distance selling laws.

- Country of origin principle

The contract formed between a buyer and a seller on a web site will be subject to the laws of a particular country. **In Europe**, many such laws are specified at the regional (European Union) level, but are interpreted differently in different countries.

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- Distance-selling law

Sparrow advises different forms of disclaimers to protect the retailer. For example, if a retailer made an error with the price or the product details were in error, then the retailer is not bound to honor a contract, since it was only displaying the products as 'an invitation to treat', not a fixed offer.

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3. Making and accepting payment

For transactional e-commerce sites, the relevant laws are those referring to liability between a credit card issuer, the merchant and the buyer. Merchants need to be aware of their liability for different situations such as the customer making a fraudulent transaction.

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4. Authenticating contracts concluded over the Internet

‘Authentication’ refers to establishing the identity of the purchaser. For example, to help prove a credit card owner is the valid owner, many sites now ask for a 3-digit authentication code which is separate from the credit card number. This helps reduce the risk of someone buying fraudulently who has, for instance, found a credit card number from a traditional shopping purchase.

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5. E-mail risks

One of the main risks with e-mail is infringing an individual's privacy. Specific laws have been developed in many countries to reduce the volume of unsolicited commercial e-mail or spam, as explained in the previous section on privacy.

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6. Protecting intellectual property (IP)

Intellectual property rights (IPR) protect designs, ideas and inventions and includes content and services developed for e-commerce sites. Closely related is copyright law which is designed to protect authors, producers, broadcasters and performers through ensuring they see some returns from their works every time they are experienced.

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7. Advertising on the Internet

Advertising standards that are enforced by independent agencies such as the UK's Advertising Standards Authority Code also apply in the Internet environment (although they are traditionally less strongly policed, leading to more 'edgy' creative executions online which are intended to have a viral effect).

8. Data protection

Data protection has been referred to in depth in the previous section.

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3. Environmental and green issues related to Internet usage:

The future state of our planet is a widely held social concern that is closely related to economic issues. Although technology is generally seen as detrimental to the environment, think about long- and short-haul flights, and TVs and electronic gadgets burning fuel when left on standby; there are some arguments that e-commerce and digital communications can have environment benefits. These benefits are also often beneficial to companies in that they can make cost savings while positioning themselves as environmentally concerned.

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In 2007 IMRG launched a Go Green, Go Online campaign where it identified six reasons why it believes e-commerce is green. **They are:**

1. Less vehicle-miles.
2. Lower inventory requirements.
3. Fewer printed materials.
4. Less packaging.
5. Less waste.
6. Dematerialization.

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4. Taxation:

How to change tax laws to reflect globalization through the Internet is a problem that many governments have grappled with. The fear is that the Internet may cause significant reductions in tax revenues to national or local governments if existing laws do not cover changes in purchasing patterns.

Since the Internet supports the global marketplace it could be argued that it makes little sense to introduce tariffs on goods and services delivered over the Internet. Such instruments would, in any case, be impossible to apply to products delivered electronically.

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5. Economic and competitive factors:

The economic health and competitive environment in different countries will determine the e-commerce potential of each. Managers developing e-commerce strategies in multinational companies will initially target the countries that are most developed in the use of the technology. A comprehensive framework for assessing an 'e-economy' has been developed by **Booz Allen Hamilton**. **The report authors define the e-economy as:**

the dynamic system of interactions between a nation's citizens, the businesses and government that capitalize upon online technology to achieve a social or economic good.

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6. e-commerce and globalization:

Globalization refers to the move towards international trading in a single global marketplace and also to blurring of social and cultural differences between countries. Some perceive it as 'Westernization' or even 'Americanization'.

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some of the obvious consequences for organizations that wish to compete in the global marketplace; they say a company must have:

- a 24-hour order taking and customer service response capability;
- regulatory and customs-handling experience to ship internationally;
- in-depth understanding of foreign marketing environments to assess the advantages of its own products and services.

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7. Political factors:

The political environment is one of the drivers for establishing the laws to ensure privacy and to achieve taxation. **Political action enacted through government agencies to control the adoption of the Internet can include:**

- promoting the benefits of adopting the Internet for consumers and business to improve a country's economic prosperity;
- enacting legislation to protect privacy or control taxation,
- providing organizations with guidelines and assistance for compliance with legislation
- setting up international bodies to coordinate the Internet.

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- Internet governance

Internet governance describes the control put in place to manage the growth of the Internet and its usage. Governance is traditionally undertaken by government, but the global nature of the Internet makes it less practical for a government to control cyberspace.

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8. E-government:

E-government is distinct from Internet governance. We introduced e-government in Chapter 1, where we noted that it is a major strategic priority for many countries in Europe and the remainder of the world.

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the types of actions that many governments are taking to encourage e-business within their countries.

1. Access, participation and skills. Encouraging all sectors of the community to actively participate in the information economy.

2. Adoption of e-business. The government is working to provide more efficient communication between businesses to help improve the productivity of the **Australian** economy.

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3. Confidence, trust and security. The government is working to build public trust and confidence in going online, and addressing barriers to consumer confidence in e-commerce and other areas of online content and activity.

4. e-Government strategies and implementation. The use of new technologies for government information provision, service delivery and administration has the potential to transform government.

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5. Environment for information economy firms. Provide research on the environmental variables that drive innovation and growth in the information economy and underpin its future development.

6. International dimensions. NOIE, in cooperation with other government bodies, represents **Australia** in world forums where decisions are made that may affect national interests in the information economy.

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9. Technological innovation and technology assessment:

One of the great challenges of managing e-commerce is the need to be able to assess which new technological innovations can be applied to give competitive advantage. I'm often asked what is 'the next big thing' or to predict changes in e-commerce over the next 5 years. The truth is no one can predict the future, there are lots of examples of companies that have misunderstood the market for products.

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- Approaches to identifying emerging technology

PMP (2008) describes four contrasting approaches to identifying new technologies which may give a company a competitive edge if they are involved in manufacturing or are looking to improve their supply chain effectiveness. **These are the four alternative approaches which apply to e-business technologies (the author describe them for manufacturing and supply chain approaches) and equally to other technologies:**

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- 1. Technology networking.** This involves individuals monitoring trends through their personal network and **technology scouting** and then sharing them through an infrastructure and process that supports information sharing.
- 2. Crowdsourcing.** **Crowdsourcing** facilitates access to a marketplace of ideas from customers, partners or inventors for organizations looking to solve specific problems.

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3. Technology hunting. This is a structured review of new technology through reviewing the capabilities of start-up companies.

4. Technology mining. A traditional literature review of technologies described in published documents.

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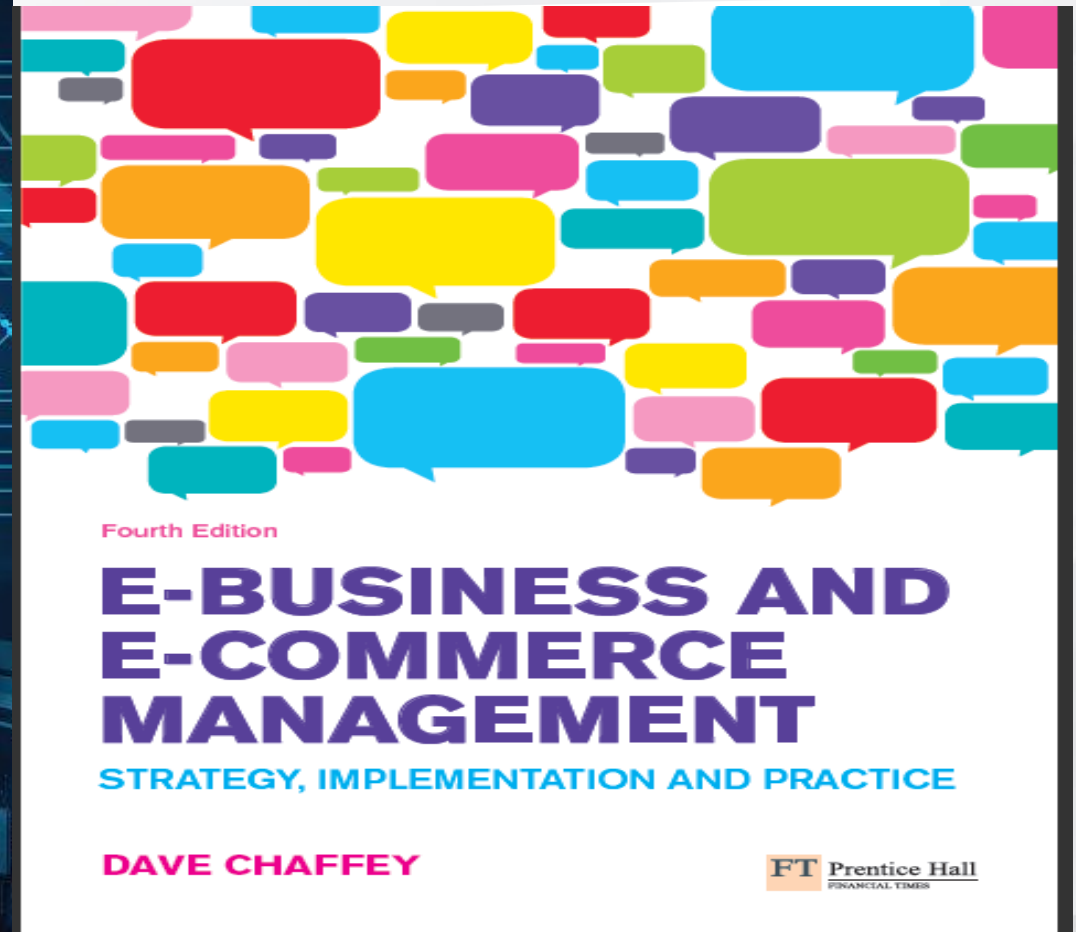
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Thank You