

# Electronic Commerce: Spectacular successes and dismal failures in Electronic Commerce

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Stream: The lack of professionalism in Electronic Commerce

## Abstract

*The creation of the Web in 1993 provided a major boost for ecommerce, which has since seen an enormous influx of capital and creativity. In this paper the author is focused in the issues that electronic commerce carries as a new expanding phenomenon in the computing society. An examination to benefits and the risks is made to balance this great deal of expansion. As support to this paper, case studies have been examined and many of the e-commerce characteristics have been outlined. Finally overall conclusions are given and the aspects that need particular attention in the future are sketched.*

## 1. Introduction

Electronic commerce is shopping on the Web, but it is also much more - in transactions through the Internet, intranets and extranets both between businesses and between businesses and consumers. It enables businesses to reduce costs, reach a global market and provide a higher level of customer service, 24 hours a day, 365 days a year, without heavy staff costs. It blurs the lines between local and global markets. E-commerce propels business in almost the same way that the railways revolutionised distribution 100 years ago. (BCS, 1999) One of the most important questions about e-commerce is whether it is a real, lasting business phenomenon or a passing fad. In the 4 years that the web has been used for electronic commerce, we've witnessed both spectacular successes like Amazon.com, and dismal failures like Nets, Inc. (Cohan, 2000a) This mainly occurred not only because of a great deal of lack of professionalism in electronic commerce but also from that many organisations believed that the route to electronic commerce and general to electronic business (e-Business) was the easy way. Although it is been proved that electronic commerce is a real challenge to many well-established businesses.

## **2. Electronic Commerce: Benefits and Risks**

To keep a balanced opinion in this paper both benefits and risks must be pointed out to give an integrated picture of the factors making electronic commerce being a real lasting or a passing fad business.

### **2.1 Electronic Commerce Benefits:**

Profit margins no longer have to be restricted by marketing and advertising budgets. A well-conceived web site and a strong commerce application is a good start. With the traditional way of conducting business, companies will extend their market with high investment on operation cost. However, with the electronic commerce technology coming to the market and the fast growing number of Internet users buying through the net, companies hold the opportunity to expand their market by deploying a cost effective and efficient solution. With the added convenience of communication via Email, WEB Site and Internet Telephony, the company can easily reach the customer globally 24 hours a day.

Typically, the Internet sales channel is entirely in the direct control of the selling company. As such, it can literally be changed as rapidly and as dramatically as needed. For example, simple price changes, short-term promotions and market trials of new products or services can all be easily executed and introduced immediately to customers. (Techbyte, 2000)

The buyer can browse through an on-line store, select the products he or she wants to buy, goes to the Virtual check out counter and pays. The Internet can be an outstanding way to grow a profits base.

Right from the WEB Site customers can find everything they need in order to make wise purchasing decisions. Eliminate the need for unnecessary phone calls and mailings. Electronic commerce eliminates the need for physical stores. This leads to reduced inventory, employees and purchasing cost. Electronic commerce also cuts down the order-processing costs associated with faxing, phone calls and data entry duties. (Techbyte, 2000)

Easier business administration is another benefit of electronic commerce, which helps companies improve their operations process by making it more efficient and effective. With the right application and technology, inventory levels, shipping and receiving logs can be automatically stored, categorized and updated in real-time. With all product and shipping information available up in front, customers needn't bother with as many phone calls to your customer service or sales support personnel.

Business success is often determined by perception. It is possible to have the greatest products and the best service, yet if it is not up to speed with the latest innovation, customers will notice. Electronic commerce gives customers total control of the sales process. They can now easily choose from all of the available products, get up to the minute accurate product and inventory data and shop anytime. (Techbyte, 2000)

On-line interaction can actually result in closer ties with customers and a deeper understanding of their needs. Many businesses are also able to gain a better understanding of their customers through on-line profiles that they themselves complete. Such information as customers' gender, age, mailing

and Internet address all provide a wealth of information that can be used for a better marketing strategy. Finally E-Commerce promotes a new way of doing business. Via dedicated intranets and extranets, vendors and suppliers can access product specifications, order details, confirmations and updates - anything they need to complete the transaction electronically. Through efficient and effective communication, stronger relationships between company with vendors and suppliers are built.

## **2.2 Electronic Commerce Risks**

The arrival of the Internet brings many possibilities for companies to buy and sell electronically. Companies interested in electronic commerce are able to set up a web site with product descriptions, prices, purchasing forms, and other relevant information that is accessible to anyone with a web browser. Customers wishing to make a purchase from their own home may do so by calling up the company's web page on their web browser, filling in some personal information (e.g. name, e-mail address, credit card number), and placing the order on a page from the site. Products usually ship by courier, so the entire process is quick and convenient. The issues that may arise from this process, often as risks to the customer, are detailed as follows:

### **2.2.1 Encryption Issues**

Data does not get transmitted directly from a home computer to an e-commerce web site when orders get placed over the Internet. Instead, data gets passed between various computers and computer networks on its way to its final destination. Since direct, private communication is not a reality on the Internet, there is the risk that data getting transmitted along the way to a company's web site will get seen or abused by some malicious third party.

In order to protect transmitted data from being recognized and misused, companies and web browsers have gotten together to implement an encryption scheme so those who are clever enough to access the transmitted data cannot understand the content. There is a risk inherent in any encryption scheme since it is always theoretically possible for someone to unlock the encryption code and determine the underlying data. Significant research has been placed in determining how to break encryption schemes, and the evidence suggests that current encryption algorithms are safe and secure. Customers wishing to perform electronic transactions over the Internet should ensure the web sites they interact with for business purposes are secure sites, so they can take advantage of the security encryption offers.

### **2.2.2 Web Site Security**

The potential for information theft is a risk present in the electronic commerce world. Information theft is not a risk specific to electronic commerce. Retail stores, credit card companies, and other such organizations also have important personal information and are susceptible to theft. For example, there have been reported cases where retail store cashiers have made copies of credit card information and used it to steal credit from credit card holders and the credit card company itself. The primary difference between most theft and electronic theft is that there is greater access to an electronic web site than there is to non-electronic businesses.

There are different types of web site security risks to consider, depending on the size and experience of the company selling on the web. Larger companies tend to have greater experience and better security measures in place, but their greater popularity makes them more open to attack, and if penetrated, more information is at risk. Smaller companies tend to have less experience at web site security, and so they may be easier targets, but the reward for violating the site's security is also lower. Customers concerned with web site security have no say in web site security, except that they may choose not to do business with companies they don't trust.

### **2.2.3 Receiving the Purchased Product**

Since the Internet spans the globe, it is possible to trade with companies of unknown reputation, location, and size. Unfortunately, it is technically simple for someone to develop a web site fronting as a legitimate business that only takes orders from customers without delivering. Customers wishing to retaliate against these companies may find it difficult to get sufficient information to prosecute, or to spend the time and effort required prosecuting a "business" based in a different country. Even if the web site you do business with is legitimate, there are concerns surrounding the terms of product delivery.

### **2.2.4 Large Email Distribution**

Companies usually require customers to give their e-mail address before any electronic transactions occur. Companies need this information so they can contact the customer in case there is a problem processing the transaction after it has been entered. Unfortunately for the customer, giving away e-mail addresses also gives the company an opportunity to send you messages at their convenience, or to sell your address to other companies wishing to send the public information. Spam is a term that refers to not want e-mail usually sent in large bulk deliveries to a wide distribution of people. The risk in giving companies e-mail address (which they do need) is that they have the ability to send a large amount of emails, which costs the customer time.

### **3. Electronic Commerce Successes – EasyJet.com**

It is definite that many companies that moved from traditional business to e-business and electronic commerce have become a trading success. Traditional “recipes” in to modern “internet world” were almost enough for doing the right job. Other used modern business models, which also became successes stories.

Looking at examples of established companies embracing the Internet and making a massive success of it, it will be hard pushed to find a better one than easyJet. "Airline Wants to Take Web All the Way," (New York Times, 2000). During the last week of January 2000, European budget airline EasyJet sold 61.7% of its nearly 90,000 seats on the web. The entrepreneur behind that success story is aiming to do the same in car rental business with EasyRentacar, an Internet- only service that will be rolled out before the summer. EasyJet, a no-frills airline that serves European short-haul routes, sells only directly to customers, and does not use travel agents. It started its online ticket sales in March 1998, offering a small discount of £1 on Web-booked flights, as opposed to tickets bought over the phone. "We went past the 50 percent mark in November last year, and it just keeps going up," said Stelios Haji-Ioannou, the 33-year-old founder and chief executive of the company.

"I guess we can claim to be the first Internet airline," he added. Only three years ago, however, the unconventional Greek-born industrialist was saying that the Internet was a nerdy pastime with no real commercial potential. Then someone in his staff convinced him to give it a try. "We just published on our Web site a different phone number for reservations, and it started getting an amazing number of calls, so I knew that something was happening out there," he explained. Now, basically everything Haji-Ioannou does has an Internet focus, and he's doing a lot. (New York Times, 2000)

### **4. Electronic Commerce Failures – Living.com**

Electronic commerce is changing the way a lot of companies do business, but it's not everything it's pumped up to be. (TechWeb, 1998) 'Businesses using the Internet to promote trade are struggling,' Paul Foley says. 'The number of losers exceeds the number of moneymakers by at last two or three to one. The Internet is potentially a huge market and everyone believes there is money to be made, but few have so far figured out how to do it.' (BCS, 1999)

Although it will be difficult to find a certain case study as a failure, of course there are cases of company failures in electronic commerce.

Living.com has died. Market instability forces online furniture store to discontinue operations. Award-winning online furniture store Living.com announced that it will close its doors due to the lack of capital assets required to achieve profitability. "After exhausting all apparent alternatives, we have no choice but to file Chapter 7," Living.com's CEO Shaun Holliday, said in a statement. The company will file for bankruptcy to liquidate its assets in court and lay off 275 employees. "Despite our employees' tremendous efforts and the loyalty of our customers, the recent downturn in the capital

market has substantially impaired our ability to raise capital required to achieve profitability," said Holliday. Four months ago, online research firm Gomez.com rated the site as the "best online furniture store." Living.com was launched in July 1999, and this past May, the company formed a partnership with Amazon.com to enable customers to access its store through the Amazon site. Amazon however said the failure of Living.com would not impact its bottom line and did not call into question the aggressive expansion of its product lines. "We work to support our partners to enhance their likelihood of success. Many partners within the network are doing quite well. When we enter these alliances we look to leverage the strength of our platform," Amazon spokeswoman Patty Smith said. Smith said Living.com's failure would not have an adverse affect on Amazon's future financial performance because it had already recognized most of the losses. (The CNN Financial Network, 2000)

## **5. Electronic Commerce: Lasting Business?**

It is almost safe to say that an electronic based business with the right guidelines is a lasting business. This can be supported by many success case studies – and not only the one stated above – available from many sources. According to International Data Corp., the business-to-consumer e-commerce market will hit \$64 billion in Europe by 2003. (Computer World, 1998) A new survey of business people by British Telecom and Management Today shows that 63% expect the Internet to 'fundamentally alter' the way they do business or to open new commercial opportunities in the next two years. (BCS, 1999) It is true that it will have a great deal of life for the next 5 years and with many organisations going on with a major investment in new technologies like mobile commerce (mCommerce), it is definite that a good start in this field has been made.

## **6. Conclusion**

E-commerce is not a binary switch from traditional to e-commerce. The key to success is mix management, where the e-business and traditional business models co-exist and are tailored to fit the market they address. Organisations need to develop an e-business roadmap, to be implemented in stages, and to look for ways to build innovation into selected processes. Learning from step-by-step initiatives can then be used to constantly evaluate the ultimate goal and adjust strategy accordingly. (BCS, 2000) It is true that e-commerce can be a real life-changing situation but it can also be a real headache and can lead to ether long lasting high profit organisations or to a real disaster. Managing directors have to be very strict to their actions and go on with ecommerce if the company it is really ready to. Finally it is clear that an ecommerce start is always a challenging and as every kick-off always is a hard start for anything.

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