

Advantages and Disadvantages of E-commerce and how it is Changing the Way Corporations Do
Business

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Technology often changes the way many companies complete everyday tasks. Whether it is with new machinery to make production faster and effortless on the working man or easier ways that colleagues communicate technology plays a big role in different industries. One way that technology as a whole has influenced different businesses is the introduction of the internet and e-commerce. E-commerce is defined as the buying and selling of goods and services over public and private computer networks (Kroenke, 2009). Many companies have been able to sell products to more people all over the world because of the internet. Top management of organizations has not been able to ignore this new trend of e-commerce which has led many businesses to utilize this technique.

Buying and selling products on the internet is very popular in today's world. All sizes of companies should use e-commerce because there are many advantages of it. One advantage is there is expanded geographical reach. The internet is a worldwide network which can reach anybody if they are equipped with the service. A business would want this benefit because there products are now available to many different people as opposed to just those who visit the physical store. This also leads the company to having an expanded customer base. A customer base can also be increased through something called search engine marketing. Search engine marketing is a set of marketing methods to increase the visibility of a website in search engine results pages (Nation Traffic LTD, 2007). Companies can pay search engines to advertise in order to increase their customer base.

Another advantage of e-commerce is the ability to provide customers with information about the company. Often company websites display information about the company that a consumer would not get by walking into the store. This information can be mission statements,

vision statements, corporate information, customer service, store locations, and much more. Also the obvious benefit about a company utilizing e-commerce is that the store never closes. Because the internet never shuts down, a company can take orders every day at any time during the day. This is a huge benefit to companies, especially large ones because they can receive orders when their stores are not physically open. With the use of the internet, consumers can order products at anytime.

One last advantage of e-commerce is that companies can obtain consumer information easier than at the store. Because the transaction is done over the internet, companies need some basic information about the customer to set up shopping carts and deliveries. This may not be an advantage for the consumer because some are skeptical of giving information to a company over the internet but there are disadvantages to every situation. The company can use the information they receive over the internet for marketing purposes and other related activities.

This table was taken from a study done by Glenn J. Browne, John R. Durrett and James C. Wetherbe. They asked people their perceptions about online advantages and had every person list up to three. Here were the results,

Perceived advantages % of Participants	
Can shop at home	43.1%
Can shop any time	35.2%
Saves time	23.1%
Can get hard-to-find items	22.0%
Good prices	20.3%
Home delivery	19.2%
Can find brands not available locally	15.5%
Easy to order	15.4%
Easy to compare products and/or prices	14.5%
Avoid driving/traffic/travel	14.2%

Better selection/variety 12.4%
Easy to find information about products 8.8%
Tax free 6.1%
Good customer service 2.6%
Good security for transactions 2.3%
Other 1.2%

Here are some of the disadvantages of e-commerce and online buying. One disadvantage is that the consumer is doing a transaction with a nameless and faceless computer. There is no personalization in doing a transaction over the internet which is a disadvantage for both the company. The consumer does not have a feeling about the company when they buy over the internet and often this is something that is helpful. Questions about products cannot be answered immediately which could lead to the sale not being done. There could also be many technological failures that can occur if a company is receiving many orders over the internet. The consumer is not physically seeing the product they are buying which can frequently lead them to be skeptical. We have all bought something over the internet at one time and it is unreliable in the fact you do not know exactly how the product will come or even when it will arrive. There are many uncertainties when buying products over the internet.

Referring back to the study by Glenn J. Browne, John R. Durrett and James C. Wetherbe here are the results of the perceived disadvantages of buying on line,

Perceived disadvantages of buying on-line
Prefer to see products before purchasing 35.7%
Uncomfortable with security of transaction 33.7%
Purchasing requires credit card 23.5%
Difficult to return items 22.8%
Shipping costs too high 17.5%
Shipping time too long 14.5%
Cannot speak to a salesperson 10.1%
Not confident about on-line merchants 8.6%
Wrong product shipped 5.8%
Cannot find enough information for decision 5.3%

Poor customer service 4.1%
Prices too high 3.6%
Not appropriate for perishable items 2.5%
Other 1.8%

Having said all of the advantages and disadvantages of e-commerce, the consumer should know the difference between the types of e-commerce companies. Merchant companies and nonmerchant companies are the two classifications of e-commerce companies. Merchant companies are those that take title to the goods they sell and nonmerchant companies are those that arrange for the purchase and sale of goods without ever owning or taking title to those goods (Kroenke, 2009). Both merchant and nonmerchant companies are successful they just do different tasks. Merchant companies will sell directly to the consumer, to another business or to the government. Most companies that have physical stores as well as an online shop are merchant companies. Nonmerchant companies are those that use auctions, clearinghouses and exchanges. Ebay and Amazon are examples of this type of company. The website Ebay never has the item they sell in hand but instead they sell other people's items. The buyer pays Ebay and Ebay pays the seller minus a commission. Basically Ebay does the transaction and that is how the website makes money. These are the two types of e-commerce companies.

Now that the general information of e-commerce has been stated it is more complex than just putting products on the internet and having consumers buy them. There is a lot of technology needed for e-commerce. According to Kroenke (2009) almost all e-commerce applications use the three-tier architecture which refers to user, server and database tier. The user tier is what the consumer uses to search for products on different web pages. The server

tier runs the web servers and the database tier stores all of the data (Kroenke, 2009). All e-commerce companies use these three tiers.

Since e-commerce was created back in the mid nineties it has experienced many changes. Things today that we take for granted such as one-click ordering, shopping carts, PayPal evolved over time (Kuenn, 2008). These were all created over a decade of online buying. Since technology keeps changing so does the way products are sold and bought over the internet. Because e-commerce has been around for a decade, online shoppers now have many options to choose from. Most companies are taking part in e-commerce which is leading to more competition. According to Asi Erenberg (2009) the competition is tougher, the market is more fragmented, and even small differences between shopping sites can substantially impact buying decisions. This holds true in internet buying because there is nothing else to differentiate the company except personal preferences and what is being displayed on the company's website.

There are different ways a company can gain a competitive advantage with e-commerce. Asi Erenberg (2009) explains that one way this can happen is by working with an experienced partner to improve usability and visibility to the consumer. After all, if the website is not visually appealing, the company may lose many potential customers immediately after they see the site. The company will also have to make sure that the information on the website is significant to the products they are trying to sell. As stated before, the company should also use search engine marketing on sites such as Google and Yahoo to increase their customer base. These are some ways a company can gain competitive advantages in the competitive e-commerce market.

You may wonder why the internet began to be used by companies to sell products. This is because a decade ago up until now, the World Wide Web use has been growing through the population. According to the Miniwatts Marketing Group (2009) the growth of internet users in the world increased 362.3% between 2000 and 2009. Now in 2009, 24.7% of 6.7 billion people, the world population, use the internet. For companies that take part in e-commerce, their products can reach 1.67 billion people at any time of any day. Internet use has not stopped growing and increases every day. Technology aids this growth because it is so easy to use the internet now. There are many devices that wifi can be used such as blackberries, cell phones internet use is constantly rising. In terms of e-commerce, this all means that a company's products are gaining more and more exposure with every new internet user.

There are many advantages and disadvantages to e-commerce but it is something that every company should take part in. The technology in creating an e-commerce is not too complex and it is something that every business can handle. The benefits of being able to sell products on line are greater than any of the costs. The internet continues to be growing technology and more devices are being made that can access the internet. E-commerce has changed business in the recent decade and technology will change industries in the future.

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