

Nature and Benefits of E-Commerce

by MEcon. DƯƠNG HÙNG SƠN

Fast development of the information technology has caused positive breakthrough in the daily life and economic activities and led to appearance of the e-commerce. Policy and legal infrastructure for the e-commerce have taken shape recently, such as a strategy to develop the e-commerce in 2006-2010 by the Government and Electronic Business Transaction Law that came into effect on March 1, 2006. The e-commerce has been referred to by mass media as an advantage for companies that know how to apply it effectively to their business.

1. A definition

There are many definitions of the e-commerce but most researchers agree that it is a process of buying, selling, exchanging goods, services and information through electronic means including the internet.

Effects of the e-commerce are found in two aspects: (1) the way the business links with outside parties (customers, suppliers, rivals, etc.) through intranet or internet; and (2) the way the business manages its operations. If the intranet link between inside departments is not consistent, efforts to sell goods online is unsuccessful and wasteful.

In terms of parties to link with, the e-commerce may include (1) B2B: between businesses; (2) B2C: between retailers and customers; (3) C2C: between customers themselves and the business acts as an intermediary; (4) C2B: the business buys goods and services from individuals; (5) links with governmental bodies, universities or research institutes; and (6) links between departments inside the business.

To run the e-commerce, the business needs not only computers, telecommunication networks and good management of inside resources (ERP) but also methods of controlling forms of e-commerce, such as: (1) management of supplies aims at controlling inputs; (2) management of customer relations aims at preserving and developing B2C links, or outputs, etc.

2. Supply chain management (SCM)

SCM comprises coordination of all operations of a business, from suppliers (input) to customers (output) that aims at increasing the value of the business.

The internet can help find sources of supply fast and effectively, reduce intermediaries, link components of the value chain together, reduce cost by subcon-

tracting, and achieve creativity in the task of offering goods and services to customers based on more available options.

3. Customer relation management

The e-commerce has encouraged companies to change from mass advertisement to individual-targeted advertisement through customized e-mail or message. The customer loyalty is won by satisfying the customer's need and demand. This approach gains high profit because the sales are higher and the price war and various costs are reduced. Data about customers, both existing and potential ones, serve as a basis for the company to take new business opportunities, and improve its goods or services faster than its rivals do. Online survey and answer help the company understand behavior and trend of customers, so they can satisfy all requirements exactly and timely.

However, conflict between traditional network of distribution and online distribution; cost of deployment of information system; and compatibility of different systems used by the company and its partners are problems for the development of the e-commerce.

4. Advantages from the e-commerce

- Information about customers and market allows the company to improve its supply of products and services that meet customers' demand timely, differentiate itself, develop good relations with customers and foresee the market trends.

- Information allows the company to reduce costs (transaction and handling costs for example), create new products that satisfy customers' needs better, avoid operational, legal and financial risks and improve its performance because its staff is equipped with better facilities and knowledge.

- Information helps the company deal quickly with complaints from customers, control rates of payment and understand its rivals.

- Information helps the management make decisions more exactly, reasonably and flexibly, and adjust its strategies timely if necessary.

In short, the e-commerce is an effective and useful instrument for expanding the market and increasing total sales. Competent managers always find new ways to improve their businesses. Application of the information technology to business must be based on considerations of costs and efficiencies, characteristics of the company and business climate. ■