

Chapter XV

The Impact of E-Business on the Competitive Landscape— Case of Automotive Industry in Asia

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ABSTRACT

This chapter focuses on the power and challenges of e-business in enhancing the competitive advantage in developing countries' industries and reports of some survey results in the Asian auto-industry. The study confirms that as many web-based businesses are learning that the real value of e-business comes not in the form of sales, but in removing inefficiencies in traditional business models. The study shows that currently, most auto manufacturers in Asia use e-business only for internal administration; despite all the talk of e-business, the development in Asia is slow. The current infrastructure in the industry is largely internally focused, incongruent with the customer-orientation of e-business. Furthermore, the author concluded that due to the uncertain nature of e-business, few companies understand how to integrate e-business into their corporate strategy in Asian developing countries. Companies need a clearly planned vision, starting with basic solutions. From there, the strategy will evolve to solutions in wider marketplaces.

INTRODUCTION

E-business is defined as a variety of market transactions that are enabled by information technology and represents the entire collection of actions that support commercial activities on a network (Zwass, 1999; Applegate et al., 1996). E-business is taking root in the competitive landscape. It is changing the shape of competition, the speed of action and the nature of leadership. It has already revolutionized the traditional way of doing business and has implied the redesign of core processes, e.g., in purchasing and marketing. It also introduced the important transformation and reaction of external relationships with partners and customers. Based on the new information and communication technologies, e-business can successfully be used to redefine a company's competitive position and to take advantages of new opportunities. Thus, the issue of whether and how to participate is high on the corporate agenda.

E-businesses are already allowing companies to dramatically cut their procurement costs. E-business enables seamless communication and collaboration between constitutions across vast distances. Along with horizontal integration, e-business facilitates vertical integration along the supply chain. Costs are lowered and market response time is reduced. Companies are able to find customers outside of a company's regular footprint. Forecasting the demand specifications are enhanced and industry standards are lifted and disparate channels and markets are integrated. Despite the plunge in business-to-business Internet stocks, many corporate leaders cling to the hope that their stakes in big e-marketplaces will give a boost to their companies' market capitalization. E-marketplaces will create value, but participants - not the e-marketplaces themselves - will capture the lion's share of that value. This economic reality will affect how e-marketplaces evolve and which ones will survive. The surviving e-marketplaces will be either major, broad-based players or niche competitors that provide specific products or functions (Lowy, Ticoll & Tapscott, 1998). The most cited reason why one might expect electronic markets to be more efficient than conventional markets is a reduction in information asymmetries that arise from lower search costs. Economic theory predicts that high consumer search costs will lead to prices above marginal cost in equilibrium (Hotelling, 1929; Salop, 1979 for example). If electronic markets allow consumers to more easily determine retailers' prices and product offerings, these lower search costs will lead to lower prices for both homogeneous and differentiated goods (Bakos, 1997; Bakos & Brynjolfsson, 1999).

Low procurement costs and potential windfalls are not the reason why the emergence of business-to-business e-marketplaces matters. Procurement savings are important, but a large proportion of them will ultimately be passed on to the end customer. What does matter, is competitive advantages. E-business will have a tremendous impact on the competitive landscape. Online business-to-business marketplaces are growing very quickly, but realizing benefits will take more work and time than what many companies may recognize. Online collaboration services, the most promising area for e-businesses, are only beginning to come to the surface and just the most basic services are being offered today. Realizing the promised benefits of more sophisticated collaboration services will require companies to implement changes in systems, processes, culture, and behavior - a formidable task.

Naturally, the automotive industry has eyed these developments with great interest. The automotive industry today ranks among the most established and mature industries of the world. Recent consolidations will only further the well-established dominance of the big

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