

# E-Commerce Challenges for Caribbean Businesses

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## INTRODUCTION

### E-Commerce in the Caribbean

The global environment of e-commerce is revolutionizing business practices and reshaping traditional business transactions over “computer-mediated networks” (Schmitz et al., 2001). Although fairly well-established in developed countries, e-commerce in Caribbean developing countries remains in the early stages of development. Put it simply, given the peculiar set of social, economic, technical, and legal issues affecting these economies, e-commerce is viewed as a complex but challenging business issue. Admittedly, both local and regional businesses have realized that e-commerce can “accelerate economic development” (Schmitz et al., 2001) in their respective economies. As a result, they have hastily attempted to “leap-frog” into the global networked economy. Yet, several challenges remain to be faced by these businesses. This article is concerned specifically with Internet-based Business-to-Consumer (B2C) e-commerce,

unlike other e-commerce forms, such as Business-to-Business (B2B) and Business-to-Government (B2G).

Although little academic literature has been undertaken to explore e-commerce in Caribbean countries, and among Caribbean countries, a 2002 country survey sought to investigate some of these challenges. Trinidad and Tobago was selected having attained the highest rank (46<sup>th</sup>) in the Caribbean Region in the Global Report on *Readiness for the Networked World* (Harvard, 2002). The survey sought to identify the kind of barriers experienced by large private-sector organisations in expanding their commercial activity in a networked economy.

The chart below, Figure 1, shows the ten cited barriers, in decreasing importance, that affect the emergence of e-commerce. The barriers were ranked by the percentage of respondents who stated it reflected one of the most important barriers. In the chart, more than 50 percent of the respondent companies attributed the main obstacles to e-commerce development as access to the Internet, financial costs, security of e-transactions, and organisational culture (Escalante, 2002).

*Figure 1. The 10 cited barriers, in decreasing importance, that affect the emergence of e-commerce (Source: Escalante, 2002)*

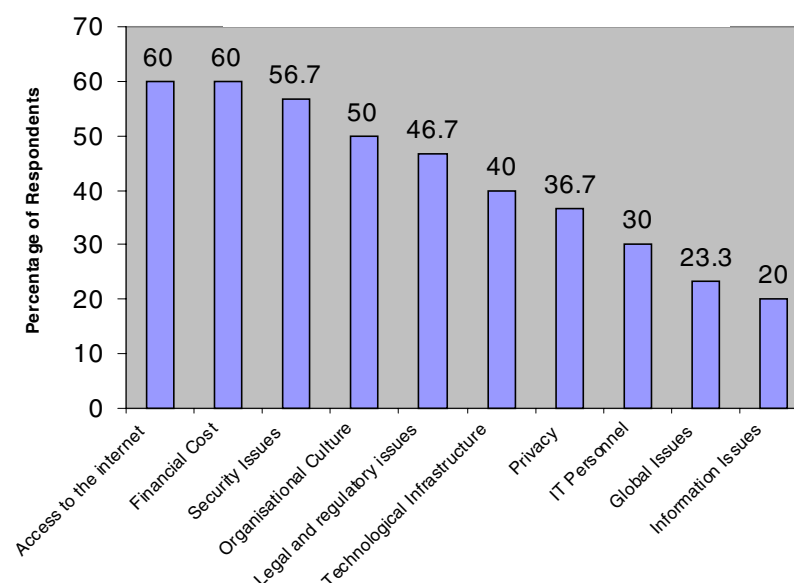


Table 1. Main reason for each ranked barrier

Ranked Barrier	Main Reason
Access to the Internet	Internet/Web being too slow
Financial cost	Higher (unexpected) technology expenditure
Security of e-payment transactions	Deception/risk of fraud and loss
Organisational culture	Non-conduciveness to e-commerce
Legal and regulatory issues	Uncertain and inconsistent legal environment
Technological infrastructure	High technology maintenance cost
Privacy	Concerns about confidentiality
IT personnel	Training cost/high salaries
Global issues	High degree of complexity of e-commerce
Information issues	Inability to add value to information

Respondents were also asked to identify the main reason for each of the ranked barriers. The results are given in Table 1.

The Caribbean region is frequently cited as a region of huge potential growth for e-commerce. To achieve this, government input is required for the legal and policy changes that will provide a secure but technically-oriented environment for e-commerce to flourish in the Region. Unfortunately, apart from the rhetoric “to actively engage in e-commerce,” there is a quiet reluctance by regional governments, which can prove to be a hindrance to e-commerce development. This is because Internet technologies are bypassing governments whose power reside around the control of information. Hence mechanisms must be found to overcome these barriers.

### Issues Affecting E-Commerce Development

For Caribbean countries with little or no theoretical development on how to predict or even describe the e-commerce phenomena in the Region, the *UNCTAD E-commerce Report 2003* identifies two main issues concerning e-commerce development. These issues are:

1. The **intensity** of utilising information and communications technologies (ICT) within a country, and the extent to which e-commerce activities are undertaken.
2. The **readiness** of a people, business, infrastructure and its economy to undertake e-commerce activities.

Firstly, Internet technologies originating in the developed countries are utilised far more cost-effectively in

development of e-commerce than in developing countries, such as the Caribbean. Along with the requisite telecommunications infrastructure, access to the Internet has created the environment whereby virtually every major business is trying to position itself competitively, and create new value through online businesses. No longer is geographic distance an obstacle to access, or for communicating efficiently and effectively with business associates and customers globally.

Although “access to the Internet” usually refers to the presence of telephone lines, computers, and Internet Service Providers, “economic access” is also important. Studies have shown the societal changes resulting from Internet technologies, while pervasive in developed countries, also have a profound effect in developing countries (Wiederhold, 1999). Divisions along the lines of income, education, race, and gender, factor into creating a distinction between groups in a society. These divisions can be found in the societies of both developed as well as developing countries. Seemingly, this has led observers to comment that there is a greater “digital-divide” within countries than between countries.

Secondly, e-commerce has become more a business issue than a technology issue since the development and maturing of the Region’s social, economic and technical infrastructures have coincided with the advent of globalization and trade liberalisation. Currently, “approximately 85% of the world’s e-commerce Web sites are US-based, with Western Europe and Asia making up almost all of the rest” (Tangkitvanich, 2001). These countries have “high levels of development measured by income per capita having the widest Internet penetration” (Tangkitvanich, 2001). With low Internet penetration rates in the region, liberalisation may or may not necessarily be appropriate for the region’s e-commerce development,

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