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Chapter I

Socio-Economic Impacts and Influences of E-Commerce in a Digital Economy

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Abstract

Innovations in information and communications technologies have created a digital revolution that is changing the way the world works, learns, communicates and transacts business. E-commerce continues to show strong growth and has been influencing the social and economic growth of nations. On one hand e-commerce technologies have helped nations to accelerate their economic growth and to provide more opportunities for businesses to grow, but it has also created many challenges and effects across numerous domains of society, and for policy makers. These issues involve economic productivity, intellectual property rights, privacy protection, and affordability of and access to information, among other concerns. This chapter describes the various socio-economic impacts and influences that have been created by e-commerce in a digital economy.

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Introduction

The revolution in computing and communications of the past few decades, indicate that technological progress and use of information technology will continue at a rapid pace. The Internet's growth and e-commerce has begun to create fundamental change in government, societies, and economies with social, economic and political implications (Boulton et al., 2000; McGarvey, 2001). These advances present many significant opportunities but also are having wide-ranging effects across numerous domains of society, and for policy makers. Issues involve economic productivity, intellectual property rights, privacy protection, and affordability of and access to information, among other concerns (Sharma and Gupta, 2001; 2003b). Electronic commerce promises to be the momentum behind a new wave of economic growth (Mariotti and Sgobbi, 2001). E-commerce has already improved business value by fundamentally changing the ways products are conceived, marketed, delivered, and supported. The relationship and interaction of various stakeholders such as customers, suppliers, strategic partners, agents, and distributors is entirely changed. On the positive side, e-commerce has been creating opportunities for individuals and businesses in the new economy. E-commerce is helping organizations to reduce transaction, sales, marketing, and advertising costs. E-commerce is also helping businesses to reach global markets efficiently 24 hours per day, seven days per week, 365 days per year. Many of the benefits come from improved consumer convenience, expanded choices, lower prices, and the opportunity for better interactions with partners, suppliers and targeted customers for service and relationships. E-commerce has also improved product promotion through mass-customization and one-to-one marketing.

Adoption of new information technologies, particularly e-commerce, is expected to result in improvements in firm performance, such as reducing transaction costs and closer coordination of economic activity among business partners (e.g., Malone et al., 1987; Mukhopadhyay et al., 1995). E-commerce specifically (especially B2B) is predicted to result in lower coordination or transaction costs due to automation of transactions online, as well as productivity and efficiency gains (Amit and Zott, 2001; Lucking-Reiley and Spulbur, 2001; Wigand and Benjamin, 1995). E-commerce also is expected to facilitate entry into new markets and the extension of existing markets (Garicano and Kaplan, 2001), and greater integration of systems with suppliers and customers (OECD, 1999; Timmers, 1999; Wigand and Benjamin, 1995). As e-commerce continues to grow rapidly, it could have significant effects on the social and economic structures of economy. The impacts of these changes are diverse and may even widen the digital divide among nations, alter the composition of trade, disrupt labor markets, and change taxation (Anonymous, 2000). Widespread use of the Internet for e-commerce may have ramifications for intellectual property rights, privacy protection, and data filtering, etc. Therefore, in the digital economy, it is becoming imperative to know how e-commerce affects organizations and society and raises social concerns. Some of these effects of e-commerce are unintentional and create adverse business and personal conditions that could have societal consequences. Social and economic aspects of ICTs have been studied by a wide variety of researchers and practitioners for over 50 years (Dutton, 1999a; 1999b). However, the influences of e-commerce are far bigger than imagined before (Sharma and Gupta, 2003b).

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