



Chapter III

Adverse Effects of E-Commerce

Sushil K. Sharma
Ball State University, USA

Jatinder N.D. Gupta
University of Alabama in Huntsville, USA

ABSTRACT

E-commerce is the fastest growing industry worldwide and is one of the most rapidly evolving areas of national and international trade. The Internet has become an incredibly powerful tool for conducting business electronically. Companies have taken the proactive approach and are jumping on the new way to conduct business. E-commerce enables organizational change and helps organizations to conduct business with improved efficiencies and productivity. E-commerce is credited with empowering employees and knowledge workers, by giving them easy access to virtually unlimited information. E-commerce technologies have helped nations to accelerate their economic growth and to provide more opportunities for the businesses to grow. Meanwhile, it has also created many challenges and adverse effects, such as concerns over privacy, consumer protection, and security of credit card purchases, displacement of workers (especially low-status ones), and is charged with having a negative impact on quality of work life. This chapter describes the various adverse effects that have accompanied the advent of the Internet and e-commerce revolution.

INTRODUCTION

The Internet heralds an unprecedented evolution in the transformation of all business and communication. In 1991, the Internet had less than 3 million users around the world and its application to electronic commerce (e-commerce) was non-existent. By 1999, an estimated 250 million users accessed the Internet and made purchases online worth approximately \$110 billion (Anonymous, 2000). E-commerce is defined as buying and selling of information, products, and services via computer networks or Internet (Anonymous, 2000, Sharma & Gupta, 2001). Electronic commerce promises to be the momentum behind a new wave of economic growth (Mariotti & Sgobbi, 2001). Internet and electronic commerce technologies are transforming the entire economy and changing business models, revenue streams, customer bases, and supply chains (Green, 2001). New business models are emerging in every industry of the New Economy. In these emerging models, intangible assets such as relationships, knowledge, people, brands, and systems are taking center stage (Boulton et al., 2000; McGarvey, 2001).

The relationship and interaction of customers, suppliers, strategic partners, agents, or distributors has been entirely changed. E-commerce has already changed the way traditional business transactions are conducted. It has improved business value by fundamentally changing the ways products are conceived, marketed, delivered, and supported. Companies are using the Internet as a medium to improve the quality of their customer relationships, whether by delivering better service through an e-mail bulletin board, or by lowering costs through the network enables just-in-time inventory control. According to the Forrester Research Group, in 1997, U.S. Internet commerce accounted for \$8 billion goods and services. By 2002, Internet commerce is projected to rise to \$327 billion (Penbera, 1999).

The Internet's growth and e-commerce has begun to create fundamental change to government, societies, and economies with social, economic and political implications. While the Internet revolution has created enormous upheaval for business by offering e-commerce solutions, it has also created plenty of opportunities for individuals and businesses in the new economy. On the positive side, e-commerce offers an opportunity for organizations to conduct business through a variety of new business models that help businesses to sell their products and services on line to consumers. E-commerce is helping organizations to reduce transaction, sales, marketing, and advertising costs. E-commerce is also helping businesses to reach global markets at low costs to conduct business 24 hours per day, 7 days per week, 365 days per year. The value of e-commerce was estimated at around \$650 billion worldwide in 2000 (Bassols & Vickery, 2001). According to Frank Gens, senior vice president of Internet Research at Analyst Company IDC, the e-commerce market will be worth \$900 billion by the year 2003. Gens

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