

E-COMMERCE ON SMALL AND MEDIUM SIZE INDUSTRIES

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ABSTRACT

The value of E-commerce is huge and it has great impact to the company and to the citizens as well. The method of doing business has totally changed from traditional activities to electronic and computerize activities and from physical presence to virtual presence. E-commerce has become a competitive necessity rather than an option to the company.

Keywords: Electronic Commerce, Role, Impact

INTRODUCTION

Electronic Commerce or better known as E-Commerce is a concept reflective of the infrastructure and technology available for conducting business using the electronic media (Vachhani, 2000). According to Swetenham (1997), electronic commerce offers considerable new opportunities for business and citizens in all regions of the world. The usage of e-commerce is expanding rapidly as the users of Internet increases, at the same time playing its role as an electronic media.

What is E-Commerce? E-Commerce includes transactions within a global information economy such as trading of goods and services, on-line delivery of digital content, electronic fund transfers, on-line sourcing, direct consumer marketing and after sales services, and involves the application of multimedia technologies in automation and re-design of transactions and workflow for higher business competitiveness (Teng, Matzain and Ken, 2000).

The impact of e-commerce is undoubtedly would be beneficial to any companies since it brings direct interaction between company and customers. Therefore, e-commerce has a role to play in businesses and brings some impact to the business as well. To narrow down the scope of discussion, lets look into the role and impact of e-commerce had on the Small and Medium Industries in Malaysia.

THE ROLE AND IMPACT OF E-COMMERCE

It is easier to discuss the role and impact together as they relates to each other, such as the role it has to the business goes simultaneously with the impact it had on the business.

Enhance productivity

E-Commerce will enhance productivity across all sectors of the economies, and encourage both trade in goods and services and investment, create new sectors of activities, new forms of marketing and selling, new revenue streams and subsequently new jobs (Swetenham, 1997). The emergence of e-commerce into the business world make the operational activity becomes faster since transactions can just be done through the Internet that has faster processing time compared to waiting for the invoices to arrive by the mail or courier. Information of transactions will go direct into the accounting system without having one staff to key in every transaction that have taken place. Relatively this saves a lot of time in processing information.

Furthermore, the E-Commerce transaction is making the business operation paperless. No purchase order or sales order book required, no ledger required and even no filing cabinet to keep the filing system. However, the ever dependent on the computer system has its drawbacks. Such as, when the server is down, business communication will be difficult if it entirely done through Internet. Consequently, operational activities will halt and business will paralyze for some time.

Thus, to be on the safe side it is wise to have both type of business goes concurrently. The e-commerce is carried out as usual, but some part of it is being back up by the traditional business operation. For instance, invoices will be print out and send to the customer to be kept. While for the supplier it acts as a back up information to supply the goods to the customers.

Coordinating information

Online services and access to the Internet provide consumers with a wide world of information, and suppliers with a new way to promote their products or services (Teng, Matzain and Ken, 2000). At the same time E-Commerce helps to create a more personal one-to-one marketing channel where the suppliers will be able to meet the exact customers' demand. The customer's choice will be increased and link between suppliers and customers is strengthened further. Thus, suppliers can achieve a higher level of product customization to better satisfy the needs of their customers (Akauntan Nasional, 1999).

In addition, the use of electronic communication links between firms can reduce both the costs of coordinating economic transactions and the costs of coordinating production (Burnham, 1999). The explanation is because coordination of both sorts consists of communicating information and processing it, and with modern technology it reduces the costs of both communication and information processing.

Greater flexibility

Customers need greater flexibility in managing their financial needs. Customers want more time and flexibility where they can just 'click and pay' from their offices or houses. This is an advantage to those who are busy working and have less time to go around looking for goods or services. For business-to-consumer (B2C), this will provide a direct interaction between consumer with the company.

On the other hand, for business-to-business (B2B) this will reduce costs of negotiating, monitoring and executing transactions that are necessary when they want to acquire goods and services from other companies or suppliers in the open market (Steinfeld, Kraut and Chan, 1998).

Broaden market share

E-commerce as a new device in marketing will be able to meet larger population. Therefore the companies will be able to broaden their market share. Companies can introduce their products to larger geographical area and meet larger demand from customers. At the same time small or medium companies that are lack of resources to open more branches at various places can just stationed or headquarters at one prominent place, while taking customers' orders or demands from various places.

However, to meet the demands from the customers from various places the company must have a good delivery system or work out an efficient postal order. The former would require for the company to venture with a transportation company to send the goods. While the latter, deliver the goods via mail or courier. The company has to bear in mind that they should be cost effective as to the form of delivery they should choose to take. This is because if they do not have their own delivery system, working with a delivery company may be costly to them. On the other hand, if they opt for mail or courier system, it should also be cost effective. For example, we could see in our everyday life, the Smartshop on television deliver its goods via mail, and postal cost must be paid by the customer. If the product and the postal costs are expensive, customers will turn away for cheaper ones.

CONCLUSION

Small and Medium industries should grab this opportunity of the latest form of business in the market. It has a lot of advantages as well as its drawbacks. In order to be competitive in today's market place, companies need to expand their commercial activities beyond the norm borders of traditional form of business. Every business has its own risk and business risk through e-commerce is inevitable for the small and medium companies. Despite the risk and barriers to markets, these companies have to face the challenge to prepare themselves with the AFTA taking place in a couple of years.

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