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Impact of E-commerce on Consumers and Small Firms

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Book Review


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This collective work deals with many issues raised by the e-revolution by evaluating the process of e-commerce adoption, clearly structured and accessibly presented. The comprehensive coverage includes the adoption of information and communication technologies (ICT) by small firms, the use of ICT applications to support marketing and sales transactions, and the factors that influence consumer’s online purchasing decisions. This edited collection stems from the international workshop held in Rimini, Italy, in September 2003. In their introduction, the authors make reference to the appetite among experts attending the conference to engage with the issues during the workshop. Since then, in light of the peer comments and discussions at the workshop, the authors have reviewed the papers in order to improve the theoretical and empirical perspectives on each topic.

The change from old to new technologies is fundamentally changing the relationship between the consumer and the firm. It is also adding a new dimension to entrepreneurship. Certainly, e-commerce presents new situations for firms to tackle. There is an important gap in our current understanding of the relationship between different actors (firms, consumers, business associations, and hardware and software providers) involved in e-commerce. That conducting commercial transactions on the Internet affects directly the two actors of the transaction poses important research questions. Despite a substantial body of knowledge on the circumstances under which these actors can or cannot influence each other, we know very little indeed about what influences their decisions to go online and what encourages and facilitates their electronic trading. For a long time now, ICT have been the strategic tools employed by global enterprises to increase business efficiency. This technology has been a key element in overhauling the way business is done. Enterprises have used the Internet on a large scale to create new services, transactions, and cooperation methods with their clients and partners, bringing about the e-commerce boom, which substituted the traditional operating methods, underlining the fact that the buyer-oriented market has replaced the seller-oriented market; however, its impact upon small enterprises is less documented. The key to staying on top of the competition now lies in whether a company can effectively take advantage of ICT to offer customers anywhere in the world products and services at the right time, right quality, right quantity, right place, and right price.

Salvatore Zappala and Colin Gray’s research-based book characterizes contemporary economic, marketing, and psychological studies from across Britain, Europe, and the United States. Based on multiple sectors and multiple countries, the book examines the adoption of e-commerce by small firms, the drivers and barriers that consumers face, and the transactional phenomenon that entails access to the Internet. The book follows an economic-psychological approach based on the assumption that e-commerce implies a commercial and a relational transaction. It is divided into three sections: Impact of e-commerce on small firms; Internet marketing and web site effectiveness; impact of e-commerce on consumers; and a concluding chapter that sums up the key issues. The focus of the book is on approaches used by small firms and consumers in the process of adoption and use of e-commerce along with how ICT is used to improve the effectiveness of commercial transactions and how its reach to customers, in particular, changes the way in which firms’ value chains are configured. Understanding consumer behavior is also of vital importance, particularly in the creating and meeting of new consumer needs. It is paramount that a study into the relationships between consumer perceptions of risk and trust and the intention to purchase in an online environment is carried out. Trust is the foundation of commerce. Its influence on business relationships is even greater in the online environment where there are no face-to-face interactions between the transacting parties.
Under these conditions, consumers’ uncertainty of the transaction outcome would increase, and trust plays an important role in their decision to transact online.

Lowering the perceived risks associated with online transactions as well as maintaining transaction trust are vital keys to attracting consumers and retaining customers. This book is particularly timely as it explores Internet marketing strategies with special emphasis on web site contents and usability from the perception of small firms and consumers. It also provides insight into consumer behavior and describes cultural, cognitive, and social processes involved in a consumer’s decision to go online.

Risk is defined as the state of being open to the chance of injury or loss. Hence, logically perceived risk is the subjective probability or expectation that the loss or injury will occur. In online transactions, we would expect consumers to perceive risks when they are uncertain about the probability of occurrence for each possible outcome for the transaction. These possible outcomes, both negative and positive, will affect the consumer’s intention to transact in an online environment. A key criticism of much of the current literature concerns the oversimplification of the trust concept, which is often viewed as a singular notion. This book responds to this criticism by scrutinizing the perception of probability or risk and trust in e-commerce adoption, describing how perception of probability and perception of consequences of negative events in e-commerce influence consumers’ online behavior. Taken collectively, these studies, based on different forms of social processes involving different actors, suggest that a consumer or small-business owner would embrace the spread of ICT; however, the changes would depend upon the ability of the businesses to cope with the new communication instruments and consumer behavior. It also attempts to define the concepts and describe the relationships between the multiple dimensions of consumer trusts and their risk perceptions. The study of e-commerce is, in fact, a new field that is developing its theoretical and empirical foundations and that is based on several disciplines.

In an industry where adoption of new technology and obsolescence of old technology is rapid, I find it difficult to accept it as an “excellent resource for academics and students interested in current issues in e-commerce,” particularly because the chapters are based on research conducted between 2002 and 2003. Quite a few years have passed since then, which has substantially improved our understanding of the relationship between ICT and economic performance. However, there is no doubt that the book offers some innovative ideas and propositions for firms and consumers. In a way, the concluding chapter, with its speculative reflections on future development, creates substantial interest in developing a new theory. It provides a preliminary analytical foundation for further work. It does not present an exhaustive analysis—probably it is too early for that—however, it manages to provide an accurate description of the current state and likely future direction of e-commerce. Even so, questions remain about the mechanisms and direction of causality in these studies. Although the evidence indicates that ICT has created substantial value for firms that have invested in it, it has sometimes been a challenge to link these benefits to macroeconomic performance. Looking to the future, it is less clear what one should expect from ICT, and economists have made reasonable arguments and drawn quite different conclusions. Some argue that the best may be behind us. However, the optimists argue that we are just now achieving the critical mass of information technology, complementary innovations, and knowledge. To sum up, the book would be of interest to a wide readership, and on the whole, it is a useful collection of individual essays that may help us to understand why e-commerce actors behave as they do.

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