



E-Business management and strategy

Lecture 2

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Stage 2.

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The Growth of E-Business

- ▶ The most significant factor that transformed the internet into a global communications phenomenon was the development of the World Wide Web (WWW) in the early 1990s.
- ▶ This extended the functionality of the internet by introducing hypertext that linked documents held on the internet servers. This facilitated access to particular parts of documents or even to other relevant documents held on other servers. This was called the hypertext transfer protocol (HTTP) and derived from a mark-up language called hypertext markup language (HTML).

The Growth of E-Business

- ▶ Within the servers, each document, or pages within documents, are given a unique address. The addresses are termed **Universal Resource Locators** (URL's). The ability to access pages, documents and servers from many different websites created a network of interconnectivity and gave rise to the term the World Wide Web.

The Growth of E-Business

- ▶ The Web was the catalyst for huge changes in the business environment as more and more firms sought to integrate their traditional business models with those online. By the mid 1990s firms 'born on the net' emerged, whose function was to exploit the opportunities in the marketplace by using the internet.
- ▶ However, the key driver of the phenomenal rise of the internet was the rapid increase in the use of computers with access to the internet and the Web by the public.

The Growth of E-Business

- ▶ From 1993 to 1996 the number of computer users with access to the internet and the Web rose from zero to 10 million. In 2004 the figure stood at around half a billion. Also, the number of websites appearing on the Web has increased exponentially from 1993 onwards. In the months following the release of HTTP and HTML there were less than 50 websites in existence. By the end of the decade there were countless millions available.

The Growth of E-Business

- ▶ Since the commercialization of the internet in the mid 1990s demand for its use has increased hugely each year. In fact, the growth of the internet has been such that there are fears that the existing infrastructure may be unable to sustain demand into the future. The internet has had a profound effect at so many different levels including individuals, society, business, governments, education, health, security services, entertainment, news services, financial markets and many others.

The Growth of E-Business

- ▶ To comprehend the staggering growth of the internet many analysts turn to the prediction of the founder of Intel and inventor of the chip, Gordon Moore. In the mid 1960s Moore predicted that the number of components that could be located on a single chip would double every twenty-four months. In the twenty years between 1974 and 1994 the Intel 8080 chip increased the number of transistors from 5000 to over 5 million.
- ▶ This exponential growth phenomenon became known as Moore's law and can easily be related to the growth witnessed in demand for access to information technology in general, and the internet in particular

The Growth of E-Business

- ▶ The internet has created a new communications channel and provides an ideal medium for bringing people together cheaply, efficiently and for a wide range of different reasons. It has also presented opportunities and challenges for the business community. As consumers become more knowledgeable about using the internet to service their needs and wants so the business community has been boosted by the potential the internet presents for extending markets, developing new products and services and achieving a competitive advantage and profitability.
- ▶ New markets quickly emerged based on applications of the internet, most prominently the business-to-consumer (B2C) and business-to-business (B2B) sectors

The Growth of E-Business

- ▶ One of the key characteristics of e-commerce is the ease of entry for firms. The cost of entry and exit is low relative to traditional industries, as firms do not require large sales teams, costly investment in infrastructure or high sunk costs in order to compete effectively. Rising connectivity rates among potential customers ensures increasing competition among e-commerce firms as more are attracted to the source of potential revenue.

The Growth of E-Business

- ▶ Importantly, the internet does away with geographical boundaries thereby increasing yet further the extent of competitive rivalry. Intense competition is a characteristic of the internet economy and has spread across all e-business and e-commerce sectors. Next Figure outlines the main benefits that firms and consumers gain from using the internet.

Advantages of using the internet

Firms

Ease of access

Ease of use

Access to wider market

Potential economies of scale

Marketing economies

Improved logistics

Automated processes

Network externalities

Improved customer knowledge

Lower costs

Increased efficiency

Consumers

Ease of access

Ease of use

Access to market information

Convenience

Lower prices

Personalisation

Customisation

Network externalities

One-to-one customer service

Access to internet community

Empowerment