

E-commerce's future in Pakistan

E-commerce
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E-commerce is a very hot issue nowadays. After the Internet revolution, more and more countries are involved in e-commerce. In general if we are using any type of electronic device in our business in getting orders and sending catalogues like telephone, fax or any other instrument, it is assumed that we are applying electronic business techniques. However, the real sense of e-commerce is business on the Internet. There are different modes of business on the Internet, like opening a retail store on the Internet, where all transactions are done online, from selection of product to payment of bills. The total volume of e-commerce is more than \$ 4 billion annually. Doing business on the Internet is not a very costly investment, but it takes all the traditional techniques of business. It is estimated that within no time almost 25 percent traditional business will be converted into Internet business.

E-commerce is an information technology trend developing fast in the business world. The corporate and the business world, aptly supported by the IT industry, have already transferred e-commerce into business, which by recent estimates will exceed \$ 400 billion this year, with exponential growth for the near future. As we start warming up to global e-commerce in Pakistan, we must understand that almost 78 percent of the e-commerce activity takes place in the USA, obviously driven by the use of the Internet in that country. As of January 2000, over 110 million people had Internet access in the USA, compared to 279 million worldwide. Nevertheless, Pakistan can make good use of this opportunity with proper planning and execution. To begin with, let us focus on the domestic before going all out for the global market. Our domestic com-

Pakistan is still far behind in chasing the West in this regard. Entrepreneurs in Pakistan are of the opinion that e-commerce means being able to make and receive payments through the Internet and any other activity through the Internet is not considered e-commerce. This low level of understanding has led many Pakistani firms to give low priority to e-commerce due to unavailability of proper framework for the Internet in the country.

In Pakistan, e-commerce is still an infant child and faces many barriers to growth. The notable barriers are: unavailability of proper infrastructure (telephone stem lines of steam age, frequent failures of power), limited use of the Internet (hardly one percent of the entire population have access), the issue of security of transactions, high bandwidth rates, and last but not least, the rigid monopoly role of PTCL. However, the SBP has recently driven a wedge into the barriers when it approved the merchant ID accounts to facilitate online transactions. But there is still a long way to go and requires government to continue to grease the wheels of e-commerce to speed up the process.

Prospects for consumers and supplier benefits:

Those who create, distribute, and sell goods and services to consumers also have reason to look forward to this new mechanism. All enterprises, including the small and medium sized, can reach customers throughout the world instantly and comparatively inexpensively. Many vendors can sell globally without the costly infrastructure of worldwide retail stores, sales offices, distributors, or warehouses. Greater sales and inventory efficiency may be possible through the increased interaction with prospective customers that electronic commerce can afford. One to one

improvements in productivity to bring it to the level of excellence. It also allows our entrepreneurs to test their web business and marketing skills before taking on the international markets. E-commerce is not for all. It is for those who understand it. Businesspersons who will indulge in e-commerce will only be among those who have acquired enhanced IT. Yet, e-commerce is not a technology. At the individual level, it is purely a business matter. At the government level, it is a matter of providing infrastructure for transaction business on the Internet. E-commerce or business through the Internet is becoming a very popular mode of trading around the world, particularly in the developed world. E-commerce is a broad term used to describe the trading taking place on the Internet.

Most studies however, suggest that E-commerce runs through four steps. The very first step is to build a website to let the world know about your existence. The website contains information about the company, product/services and other related information, which can help visitors to learn more about the hosts. The second step involves asking customers to loosen their pocket strings and buy online. This step requires adopting advanced level of software capable of handling orders. In the third stage, inventory management adds to the system and lastly, providing provision of payments through online banking partnership between buyers and sellers, the most difficult and complex part of e-commerce. The most common and popular forms of e-commerce are Business to Consumers (B2C) and Business to Business (B2B). Business to Government (B2G) and Government to Citizens (G2C) are other forms running on the Internet but with low steam. The use of the first two still dominates the Internet.

on a massive and global scale.

Active and alert suppliers will also benefit from the new structure of product and service distribution likely to result from electronic commerce. With conventional distribution, a manufacturer must reply on wholesalers and retailers to serve customers in large volumes. Electronic commerce's automated customers' self-service capabilities can eliminate the need for these intermediaries. The manufacturer no longer has to share profit with others. In addition, the manufacturer gains direct contact with consumers that can facilitate future sales.

With this, as the role of conventional intermediaries -- such as retail store clerks, travel agents, bank tellers, and wholesale representatives -- may diminish or end, new intermediaries have started to appear.

Electronic commerce connects manufacturers directly to consumers. The consumer gets product information directly from the ultimate source. The manufacturer can get customer preferences and needs directly from the ultimate consumer. Each consumer's physical location no longer determines whom the consumer contacts to purchase a product. With the purchase of intangibles that can be delivered electronically, physical location becomes irrelevant to product delivery as well. The Internet makes the connection between a French consumer and an Egyptian supplier virtually indistinguishable from the connection between a Persian consumer and a Parisian manufacturer.

It can be concluded that there is a lot of scope for e-commerce in Pakistan, and most companies are eager to enter the digital world, but at present due to the absence of any policy framework and limited internet market, companies are holding their plans to start e-business until the clouds of barriers as discussed disappear.