

**THE ECONOMIC AND SOCIO-CULTURAL IMPACT  
OF THE DEVELOPMENT OF E-BUSINESS  
APPLICATIONS ON CONSUMER BEHAVIOUR.**

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## **Abstract:**

The world is facing an age of changing unseen before. The recession and the financial crisis which started in 2009 created a movement that reacted the international economic view. The worldwide economy is currently characterized by an increase in West, a change of power in East, including increasing risks everywhere and customers that are looking for the value. At the same time these decreases rushed the adoption of key technology- mobility, 'cloud' technology, artificial intelligence and social environment- which turns the economy and give rise to a new wave of obtaining prosperity, especially on the emerging market. The economic growth and the technology are influencing each other. At present economic conditions are favorable for technology investments as far as the markets are increasing their demands for maintaining the profit and the advanced markets are searching for new ways to cut the costs and to stimulate the innovation. It becomes a vicious circle as the digital technologies encourage the profit and to meet the consumers' demands, education and vocational training also the efficiently use of the fund and resources- which leads to a big economic growth. The leaders must be conscious of these new tests that their companies are facing as long as the markets are making progresses very fast. The paper emphasizes on the positive and negative impact of technological application and how the computer professionals highlight the merits and neglect the negative aspects.

**Keywords:** e-business, digital economy, BPR.ERP.

## **INTRODUCTION:**

The term E-commerce is not the most appropriate term to use when referring to consumer use of the Internet for making purchases. Consumers would not normally refer to carrying out commerce when they are purchasing goods and services in the traditional sense of making a purchase in a shop or on the telephone. In the world of the Internet E-commerce usually refers typically to business to business type activities rather than consumer activity. It may be more appropriate to refer to consumer activity in relation to purchasing goods and services on the Internet as on-line shopping. Strictly speaking E-commerce means carrying out transactions electronically, involving sales and purchases over the Internet, through on-line access points on the Web and in the future more so using digital TV sets. According to the DTI's Web site the major benefits of E-commerce are that it can help organisations to:

- improve working processes and service delivery;
- understand their customers better; and
- reduce costs through elimination of paperwork and bureaucracy

## **Defining and operationalizing e-business**

The definition of e-business is still debated .However, in major surveys e-commerce is perceived as an equivalent of e-business, ignoring the fact that e-business applications vary in complexity. Commonly e-business is not approached as a single application, but rather as a term encompassing a number of applications varying from the very simple use of e-mail to more complex collaborative platforms (Brown and Lockett, 2004). Similarly, in an effort to avoid

generalizations regarding the adoption of e-business the following dimensions are taken into account (Van der Veen, 2004):

- *Activity*: this means the way the company is supported by e-business, in terms of specific activities (e.g. purchase orders).
- *Application*: this means the use of certain e-business applications, which present specific level of complexity (e.g. e-business applications varying from very low complexity to very high complexity).
- *Value creation*: this means the value or the impact generated for the company as a result of the adoption of e-business.
- *Intensity of use*: this means the frequency of e-business use. In other words, very intense use of a specific e-business application indicates that the company is heavily relied on this application.

#### EAGLE'S EYE FOR THE FUTURE:

Six important changes the companies should take in consideration for the next five years are:

1. Global digital economy is growing up. The Internet started the third wave of the capital which is going to transform a lot of aspects of the global economic market-from the consumer's behavior to the new models of business. The mobility, the cloud technology, the artificial intelligence and the social environments sustain this change, which occurs, in the advanced economies but also in the ones that are developing. (Martin, et al., 2012)
2. The industries are going through a digital transformation. As the result of maturation of the digital economy, companies belonging to a large vision have seen their business models getting rich as long as they are competing with similar forces of technology and globalization. In the next five years, many branches, including the technology, telecommunications, entertainment, media, banking activities, en gross shopping and the health system will continue to be redefined by using the information technology.
3. The digital distribution can switch the roles. Taking account of the economy powers from East and the reposition of these, the companies with a wealthy capital from developing markets which are investing a lot in technology - often overtaking their counterparts from the expanded markets.
4. The consumer of the emerging market is the main character . The customers of the emerging markets - including the consumers, business and governmental sectors by offering extraordinary opportunities for the west companies which can adapt to their needs.
5. Businesses done swift. The global economic market which is in flux, charged by the fast growing economies and new technologies have accelerated the speed of the majority economic activities from the development of the products to the consumers' answer. The artificial intelligence in real-time and the predictive analyses will be necessary not only for a faster deciding system but also for facing the risks and the unexpected market opportunities.
6. The companies are reorganizing for integrating the digital economy. For being able to carry on their activities in the global digital domain where the new rivals are unrestricted by thinking and rigid policies, tricky west companies, are coming off from the hierarchical model of making decisions and are heading for a system/network structure more like to the market and organic.

## **Components of Interest for E-Business**

The strategy defines the interest area and the activities that should be known for achieving the business goals. The e-business strategy it's not an easy one, but fundamentally an e-business strategy will be managed by the market over - expansion and by the sales strategy. (Nanda & Khanna, 2011). From this perspective two concepts need to be understood:

**BPR** - Business Process Reengineering is the rethinking and radical-fundamental redesign of business process for obtaining substantial improvements of the main performance indicators such as: cost, quality, the duration of a cycle production and pleasing the customer's demands.

**ERP** - Enterprise Resource Planning - is an accounting system for identifying and planning the resources of a company, for realizing, sending and calculating the customers' orders.

## **Factors affecting the adoption of e- business applications**

These factors refer to the appropriateness of e-business in specific business fields. According to the literature, the following factors have been recognized:

1. *Operational compatibility* :It deals with how compatible are the e-business applications with the existing activities of companies (Rogers, 1995).
2. *Relative advantage* refers to the expected benefits and the usefulness arising from e-business applications in comparison to other applications (Rogers, 1995).
3. *Complexity* refers to the difficulties that a company is expected to face in understanding and using the applications (Van der Veen, 2004).
4. *Cost* is linked to the perceptions of the persons interviewed regarding the capital needed for investments. In many cases, e-business applications, particularly very complicated ones, are very expensive.

## **REVIEW OF LITERATURE**

The literature review pertaining to e-business adoption revealed that e-business is often wrongly considered as one single application and its adoption nothing but an internal issue for companies. Also, past studies of e-business have focused more on identifying the expected benefits, rather than on assessing the exact impact of the adoption this background. The Competitiveness White Paper, "*Our Competitive Future: building the knowledge driven economy*" was published in December 1998. This report is entirely focused on the business angle of E-commerce and the means by which the knowledge economy can be one of the cornerstones of UK industry for the next Century. There is very little implications in this report which directly relates to the consumer. This White Paper is an important document in the Governments strategy to develop a virtual society. The report identifies four key barriers to E-commerce. These are foundations, understanding, access and trust. Researches sketch out main domains as:

1. *Skills and Performance*: the impact of new electronic and communications technologies on human and organisational potential, performance and learning. How have electronic technologies developed as they have and what is the impact on human and organisational performance and skills?
2. *Social Cohesion*: the role of new electronic techniques in relations between people and in modifying processes and degrees of social inclusion and exclusion. This theme examines the ties which link people together and mechanisms of governance, social control, inclusion and exclusion.
3. *Social Contexts of New Electronic Technologies*: the changing social contexts and factors influencing the transformation and adoption of electronic technologies. Social contexts

present difficult-to-analyse sources of risk for investors, managers, organisations and communities.

### **SOCIO-CULTURAL IMPACT:**

As global competition increases, companies are faced with the challenge of offering their products or services to a wider global audience. While e-commerce and the World Wide Web have made it easier to distribute information electronically for a global audience, the challenge still remains because consumer behavior is influenced by culture (Hofstede, 1998). The designs and information displays that are effective for one culture will not necessarily be as effective for others, thus requiring customized designs for each cultural group. Culture has received various definitions in the literature.

Hofstede's defines culture as : *"the collective programming of the mind which distinguishes the members of one group or category of people from another"*

In the definition of culture, group or categories of people refers to people that are in contact with each other or that have something in common (e.g. gender, religion, ethnicity). With the increasing trend of product localization from competitors, customers around the world expect product localization. Consequently companies have to compete at high levels of internationalization to stay competitive in an international market (del Galdo, 1996).

### **STUDIES AND DERIVATIONS:**

Cultural models can be used to identify differences between cultures (Hoft, 1996). There are many cultural models, each one defined by analyzing different data. Hofstede's model (1997) focused on data about patterns of thinking, feeling, and acting of employees of a multinational organization. He defined a cultural model in which cultures were found to vary along five dimensions. The dimensions were named: Power distance, Collectivism vs. Individualism, Femininity vs. Masculinity, Uncertainty Avoidance, and Long-term vs. Short term orientation. People rely on different types of information to make decisions, and culture has an influence on the type of information people depend upon (Han & Shavitt, 1994; Hofstede, 1998; Triandis, 1995; Zandpour & Harich, 1996). Various researchers have suggested that individualistic and collectivistic characteristics are the major cause of the differences between national cultures (Han & Shavitt, 1994; Zandpour & Harich, 1996). Research in the marketing area has addressed cultural differences on presentation of information in advertisements related to cultural dimensions, including the individualism vs. collectivism dimension (Albers-Miller & Gelb, 1996; Han & Shavitt, 1994; Zandpour & Harich, 1996). It is also noted that there are cultural differences in information appeals. Information appeals vary in terms of context, images, and values presented in the commercials.

The question still stands for interface and Web design -- do cultural dimensions have an effect on the type of information preferred by individuals when navigating through the Web? If this question is answered affirmatively, it could have an impact on e-commerce, interface and Web design, and especially for marketing and advertisement purposes.

After anthropologists made popular the idea that all cultures have the same basic problems, but differ in how they approach them, sociologist Inkeles and psychologist Levinson determined the specific problems common in the society by surveying literature on national culture (Hofstede, 1997). Hofstede (1980, 1997) provided empirical analyses that support these findings. He administered a survey to IBM employees of over 50 different countries around the world and came to the same conclusion - that different cultures have the same issues but vary in the way they approach them. He also called the issues "dimensions of culture" because they can be measured relatively between cultures. Following is the list of the four dimensions of cultures

Hofstede defined based on his work:

□□□ Power Distance – The way members of a culture handle power difference.

□□□ Individualism vs. Collectivism – The extent to which individuals just look out for themselves

or are loyal to a group.

□□□ Masculinity vs. Femininity – The degree to which gender roles are defined.

□□□ Uncertainty Avoidance – The degree to which a member of a culture feels anxious towards unpredictable situations.

People rely on different types of information to help them make decisions, and culture has an influence on the type of information people find more appealing (Han & Shavitt, 1994; Hofstede, 1998; Triandis, 1995; Zandpour & Harich, 1996).

. Papers were found that focused on group decision-making in different cultural settings (Dunckley & Smith, 2000; Harris & Nibbler, 1998; Tan, Wei, Watson, Clapper, & McLean, 1998). This cultural study is more concerned about differences in decision-making at an individual level and how information on interfaces is influenced by cultural groups' preferences for information design. But the literature review was not able to uncover empirical studies of individual decision-making in different cultural settings in any other area besides advertising.

Hofstede (1998) discussed information preference based on cultural dimensions. People from individualistic cultures are verbally oriented and tend to read more than people from collectivistic cultures, which are more visually oriented and prefer high-context communication. Cultures with high uncertainty avoidance prefer clear and direct information. People from masculine cultures are more interested in data and facts than people from feminine cultures, who, in turn, prefer to know the story behind the facts. Large power distance cultures rely heavily on information from authority figures, while people from small power distance rely more on facts and their own reasoning.

Various researchers have suggested that individualistic and collectivistic characteristics are the major cause of the differences between national cultures (Han & Shavitt, 1994; Zandpour & Harich, 1996). Still, the implications that the individualism vs. collectivism dimension has in the globalization and internationalization of computer applications have not been fully studied. Whether the individualism vs. collectivism dimension of culture has an effect on the user's preference for information for decision-making on a Web-based task is yet to be determined.

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