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Midterm paper

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[E-COMMERCE IN IRAN]

Electronic commerce commonly known as e-commerce is actually buying and selling of products and services (Wikipedia,2008) such as online stock and bond transactions, the downloading and selling of “soft merchandise” (software, documents, graphics, music, etc.), business-to-business transactions and other types of shopping over the internet or other electronic networks. This article covers the current e-commerce status in Iran, its advantages and disadvantages and the challenges in Iran’s banking system required to expand e-commerce in Iran. It also covers the mental efforts that must be done to help e-commerce prosper in Iran.

Introduction

Electronic commerce commonly known as e-commerce is actually buying and selling of products and services (Wikipedia,2008) such as online stock and bond transactions, the downloading and selling of “soft merchandise” (software, documents, graphics, music, etc.), business-to-business transactions and other types of shopping over the internet or other electronic networks. It is the paperless exchange of business information using electronic data interchange (EDI), e-mail, electronic bulletin boards, fax transmissions, and electronic funds transfer. It refers to Internet shopping as a whole (businesstown, 2008).

Talking about the concept of e-commerce we can say that it is all about using the Internet to do business better and faster. It is about giving customers controlled access to the computer systems of a company and letting people serve themselves. It is about committing the company to a serious online effort and integrating the Web site of that company with the heart of its business (businesstown, 2008).

Iran as a developing county is practicing some e-commerce related activities. This article is about the existing practices in Iran with respect to buying and selling online. It covers the following subjects:

1. Advantages and disadvantages of e-commerce
2. limitations and boundaries of e-commerce in Iran
3. Iran’s banking system which supports Online payments
4. What kind of businesses can go online?
5. Where is Iran in international e-commerce competition?
6. What opportunities can e-commerce provide for Iranian business people?

Advantages and disadvantages of e-commerce

Using the e-commerce new ways for business people and consumers is provided helping them communicate and conduct business easier and faster. There are some advantages and disadvantages in using e-commerce as a way of doing business.

Advantages of e-commerce

The following list is the number of advantages that can be achieved using e-commerce

1. Business can be conducted all day every day (marcbowles, 2008).

2. As all (or most) of the communications and fund transfers are done electronically, the overall speed of doing business is high (marcbowles, 2008).
3. Using e-commerce, companies have access to global market places and do business with every other company or individual who is connected to the internet (marcbowles, 2008).
4. There are lots of opportunities to find the original manufacturers over the internet and purchase goods and services cheaper or with better quality and support (marcbowles, 2008).
5. As it is stated before, e-commerce is somehow customer self-serviced and part of the job can be done by customers (is referred to as customer outsourcing) (marcbowles, 2008).
6. As e-commerce normally done via internet, application which is used in the website of a company or other applications can be developed efficiently. And also computers have the ability to communicate through internet independent of their platform and operating systems (marcbowles, 2008).
7. There is a catalogue flexibility and online updating is fast (isos, 2008)
8. As marketing and advertising expenses reduces, there is a better chance in competing with bigger companies (isos, 2008).
9. Business relationships with dealers and suppliers are more efficient (isos, 2008).
10. Payment systems and fund transferring systems are encrypted and secured (isos, 2008).

Disadvantages of e-commerce

There are also some disadvantages in e-commerce which can be listed as follow:

1. Delivery of physical goods needs time and you cannot something them as soon as you pay for it (marcbowles, 2008).
2. There are always some levels of uncertainty. The buyer cannot be %100 sure that the seller is legitimate and he/she will receive the product that he/she is purchased (marcbowles, 2008).
3. Shipment of perishable goods is not an easy job (marcbowles, 2008).
4. By choosing to buy something through internet we cannot be sure about the quality and if the good is what we really want (marcbowles, 2008).
5. Returning of the goods is not always satisfactory when it comes to refund, return postage fees, required time, etc issues (marcbowles, 2008).
6. Potential frauds in identity, personal information and payment information (marcbowles, 2008).
7. Feedback about how people react to product and service offerings also tends to be of little use, using internet based sales (marcbowles, 2008).

8. Very small or very large transactions cannot be done online as normally these transactions are done using a credit card (marcbowles, 2008).
9. Small amount orders tend to have very high shipment prices which are not suitable for individuals (marcbowles, 2008).

Limitations and boundaries of e-commerce in Iran

It has been many years that e-commerce has come to Iran. Though the rate of e-shopping is increasing there are still some limitations and problems to be solved. "Trust" is one of the main problems that e-commerce is facing. Iranian people do not trust suppliers whom they cannot see or talked to. It is difficult for them to pay money online and wait for delivery instead of going to a shop and get the goods as soon as they pay the money. Other issues which must be considered are as follow:

1. Online payment and fund transfers are not available for most of the people who use debit cards of most of the Iranian banks except for Parsian Bank and Saman Bank.
2. Suppliers/ sellers are not trusted by people as they do not provide satisfactory information about themselves.
3. Lack of appropriate legal framework (Abbasi, Alireza, 2007).
4. Security
5. Low internet connection speed and high prices of connecting to the internet. Although new ISPs (internet service providers) are being introduced every day and broad band connections like ADSL with up to 2 Mb/sec speed are available in recent years, still there are lots of people that only have access to low speed internet connection at high prices which makes the electronically transactions vulnerable.
6. Absence of technical knowledge among traders and businessmen (The National Report on E-commerce in Iran, 2004).

Iran's banking system and E-Banking developments

In order to support e-commerce Iran's banking system has been developed and now offers different services such as automated teller machines (ATMs), Sort Message Sending (SMS) services, debit cards, credit cards, online payment systems (available by Parsain Bank and Saman Bank mostly), point of sell (POS) machines,

Bulletin Board system (BBS), automated telephone banking, bill payment systems, etc (Abbasi, Alireza, 2007).

All governmental and most of non-governmental banks are members of Shetab network in Iran providing the previously mentioned services for costumers of other banks in Iran but in my opinion these services are far away from a real e-banking in Iran. In order to attain a desirable e-banking the following requirements must be considered:

1. Payment gateways must be used at Iranian banks (Abbasi, Alireza, 2007).
2. International credit cards must be offered by these banks (Abbasi, Alireza, 2007).
3. Foreign exchange automated system must be developed (Abbasi, Alireza, 2007).

E-banking is one of the major steps which must be taken in order to develop e-commerce in Iran.

What kind of businesses can go online in Iran

As a matter fact every business can go online. Whatever is related to goods and services can be traded via internet. Some of services that are currently offered online are:

- Internet banking which is the service of Iranian banks that provides access to customer's account via the website of the bank.
- Bus, Train and airplane ticket purchases.
- Hotel reservation
- Utility bill payments
- News services
- Book ordering
- Advertising
- E-government
- E-learning
- Virtual libraries
- Domain registration and Web hosting services
- Online goods sales (mostly for computer hardware)
- Tourist services

Where is Iran in international e-commerce competition?

The value of North America's transactions amounted to \$3.5 trillion in 2004 (Abbasi, Alireza, 2007). Asia-Pacific, with \$1.6 trillion and Western Europe, with \$1.5 trillion are respectively second and third in the region. Latin America with \$81.8 billion and other regions with \$65.6 billion stand at fourth and fifth in the region. The value of e-commerce in Iran was supposed to reach to 12.8 billion in 2006 (The National Report on E-commerce in Iran, 2004).

According to the ministry of commerce – country progress report (2005), e-payment equipments which are available through Iranian banks are as follow:

	Cards	ATM	POS	POS in branches
Total	13,511,529	4,458	68,532	11,268

These statistics have been grown drastically today (2008) but it is still far from the international e-commerce statistics.

What opportunities can e-commerce provide for Iranian business

people?

Iranian business people can benefit from the various advantages of e-commerce in case the requirements of internet shopping and e-commerce are fully provided. They can have access to International market places, gain the ability to compete with large foreign companies, reduce costs, have better advertising and promotional facilities at lower prices and face vast variety of customers.

Conclusion

E-commerce is spreading throughout the world at high speed and considering its advantages and wide range of opportunities that it offers, it is highly required that Iranian government puts so must effort proving the basis and developing the technologies such as ICT, e-banking, e-government, e-insurance, etc. in order to help it grow faster. There is great potential in Iran's market to make use of advantages of e-commerce and it is already begun but firm foundation is required to help it proceed.

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