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# IN BRIEF

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## E-Commerce: Towards New Markets

The development of new information engineering technologies has led to the emergence of sophisticated electronic networks, including the Internet, which link up thousands of users simultaneously. E-commerce involves commercial information transactions by means of these networks. The information is generally shared among businesses (the wholesale trade), or between businesses and consumers (the retail trade). The growth of e-commerce will likely have a major impact on how businesses and markets are organized.

Internationally, Canada already ranks among the leaders in electronic commerce. According to the Boston Consulting Group (BCG), Canada has the highest share of global e-commerce revenues after the U.S., with an Internet economy representing \$28 billion in revenues and 95,000 jobs. Besides, the federal government has recognized the importance of e-commerce, and the obstacles that must be overcome. Bill C-6 (Personal Information Protection and Electronic Documents Act) plays an important role in the Canadian strategy for e-commerce, which consists of creating in cyberspace a legal environment capable of governing the increasing number of electronic transactions. Both consumers and businesses have to be confident that their interests, as well as their personal information, will be efficiently protected when they exchange contractual information over the Internet.

Communication costs associated with e-commerce are much lower than those associated with traditional forms of commerce. The dissemination of commercial information over electronic networks generates significant economies of scale. Fixed costs arising from the creation of a data storage medium on the Internet may be very high in some cases, but the costs of subsequently disseminating that information are virtually nil. For example, it is estimated that a single Internet banking transaction costs the financial

institution one cent, whereas the same transaction carried out at the branch facility costs \$1.07.

The economic potential of new electronic markets is enormous, while their potential for growth and diversity is virtually unlimited. Virtual markets are not restricted by the traditional magazine shelf space; distances and borders lose all meaning. The markets can contain an unlimited amount of information, available to everyone, about an unlimited number of products. To make a profit, traditional retailers depend to some extent on commercial information of which consumers are unaware when they make their purchases; for example, the price a product sells for in another store, the quality of the product, or the existence of an equivalent product made by another manufacturer. Electronic markets give consumers access to this information for practically nothing. Thus consumers can shop with a greater eye to value.

Where consumers are likely to make real gains, however, is in buying knowledge-based goods and services. For example, an investment opportunity, consultation, or home renovation project cannot easily be displayed on a store shelf; however, one can easily imagine a virtual site where requests for home renovation services and offers of services come together. Those offering products and services will face stiffer competition but their sales potential will increase because they are now reaching more consumers. Moreover, with more transparent markets those wishing to purchase these goods and services can make more enlightened decisions. Both parties come out on the winning side.

New information technologies promise to revolutionize commerce, at least in certain sectors. Currently, consumers shop at retail outlets to obtain information about products (price, selection available, inventory, etc.) and to pick up their purchases. E-commerce splits these tasks in two, thereby resulting

in efficiency gains. The information portion is undoubtedly the more profitable of the two. For instance, a European consumer can log on to the website of a Canadian computer parts retailer, which includes a multilingual information service using new telephone engineering satellite technology. The European customer can get all the information he needs and can go ahead and purchase the product on line.

The customer must subsequently take possession of the goods purchased, however. Many products that consist primarily of information, such as financial transactions, concert and airline tickets, and software, can easily be delivered through digital technology and in the future will most likely be marketed electronically. On the other hand, most consumer goods are tangibles, so that consumers cannot take possession of them immediately. This is unquestionably the biggest impediment to the development of e-commerce retailing of certain goods and services.

Accordingly, if e-commerce is to experience the anticipated phenomenal growth and become routine, rather than being limited to specific, generally knowledge-based, markets and products, the methods of producing and distributing consumer goods will need to be reorganized.