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Electronic-Business (E-Business) and Its Branches in the Present Century

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A B S T R A C T

Objective: E-business and its various branches are one the important necessities of issues in each country. Therefore, using this modern technology needs revision and studying environmental factors as an infrastructure. **Methodology**: Therefore, first factors, actually environmental obstacles, must be known and prioritized, then the importance factor of each one must be determined, and finally a model for proper implementation must be offered for e-business by providing a solution. As it was mentioned, the great advantages of e-business have made not only the developed countries, but also the developing countries to use it as a competitive tool for international and domestic competitiveness. **Results**: Lack of e-business policy and information and communication technology (ICT) won't result to anything except isolation in the world economic era. **Conclusion**: The daily increasing development of e-business in the world shows the potential advantages of e-business by this way in the economic and business eras. Therefore, there would be no way just a permanent attempt to use e-business in the economic activities.

1. Introduction

1.1 What is e-business?

This technology has various definitions that each one will be explained:

1- All market processes and dimensions that can be conducted by internet and web technology is called e-business.
2- Generally, the term "e-business" refers to electronic transactions done by communicative networks. First, a buyer or consumer searches a virtual store by an internet and orders a good by web and electronic-post in electronical framework, and finally receives it.
3- E-business means electronic transactions in electronic framework.
4- E-business has many applications in information technology in business.
5- E-business is data electronic transaction. Summarily, it can be claimed that data electronic transaction includes production, application, information transaction, and documents by electronic and automatic technic among computer systems and based on mutual language and specific standards with the minimum interruption of human factors. Of course, e-business has greater extension than data electronic transaction, and that is a great evolution in communication era. E-business in the simplest definition is finding resources, evaluation, negotiation, order, delivery, payment, and service provisions that all are conducted electronically. Thus, e-business is a technic based on the sold information, products, and services according to computer communications networks (Damanpour, 2001).
6- E-business is doing all business activities using commuter communication networks, particularly internet. Selling and buying information transaction and the essential information for good transferring will be with less bothering and bank transactions with more acceleration. Companies won't have the present limitations to communicate with each other, and their relationships will be faster and simpler. Sellers' communications with customers can be individually with each customer of course not with so high costs (Feng, 2007).

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1.2 Models of e-business
Models of e-business are divided to 4 sectors (Mesenbourg, 2001):
- E-business between 2 agencies;
- E-business between an agency and a costumer;
- E-business between a customer and another customer;
- E-business between a government and another government;

1.3 Steps of e-business
Reaching to e-business has 5 steps:
1- Lack of access step;
2- Access step;
3- Interaction step;
4- Transaction step;
5- Implementation step

1.4 Objectives of e-business
1- Process improvement by accepting e-business;
2- Control and reduction of costs by accepting e-business;
3- More selling and income generation by accepting e-business;

1.5 Advantages of e-business
E-business is a technology to change, companies that use it to promote their present system won't utilize all of its advantages completely. The maximum advantages of e-business will be for organizations which change their business structure and technic and homogenize it with e-business.
According to e-stores buyers, the most important advantages of e-business include:
1- product catalogs and specifications will be accessible and observable easily, and also customer is able to search his/her goods based on various specifications such as brand, type, color, weight, price, etc. Description of goods can be with various images and yet can include 3d images that a customer observes his/her favorite goods from various views.
2- Goods and services can be commented by buyers and a customer is able to be aware of the all buyers' ideas about the mentioned good.
3- Buying from a store is done 24 hours in all week days.
4- Some products such as software, film, electronic books, music, etc. can be delivered as soon as buying from a store.
5- Goods in these stores are usually cheaper than physical stores for low overhead costs of stores and high number of buyers.
6- The usual pressure and stress while buying from a physical store won't be in buying from an electronic store.
7- Comparison of all various types of a product in various stores can be done easily. The distances among stores are in size of a click.
8- A buyer is able to search all stores to find a most proper price for a specific product.
9- A buyer is able to pay the costs simply and just by pressing several buttons after selecting a product, and the purchased product will be received at home after a short time.
10- If any problem is in the delivered product after receiving, a buyer can refer to the side and ask for giving back (Elahi, 2007).

According to sellers and owners of e-stores, the following cases are considered as advantages of e-business:
1- Costs of e-store establishment are very lower than physical store establishment.
2- Customers are not limited to a specific region or a country and store environment will be with unlimited geographical boundaries.
3- Competitiveness will be to attract customer to promote quality of products and services.
4- Store management and determination of the future tasks are fully organized.
5- Stores will be able to identify their customers based on selection, interest, and options and guide them in selecting their mentioned products.
6- Adding new services such as services support, accountability to customers' questions, etc. can be done easily.
7- Competitiveness and marketing can be conducted by making a proper market and attractive presence on the internet global network.
8- Relationship with customers, producers, and other involved people can be facilitated using web and email.
9- Orders can received and sent electronically
10- Number of customers and buyer are quickly increasing.
11- Interest rate will increase against consumed costs.
12- Relationship with goods producers by removing dealers (Vidas-Bubanja et al., 2010).

1.6 History and steps of e-business in Iran
Development movements and electronic business development were proposed and entered in scientific meetings communication in Iran nearly coincidence with developed countries. It is tried here to divide electronic business and its development to 3 general classifications (Babaei Zakilaki, 2009).

2. Materials and methods

2.1 International business

International economics is studied through two micro and macro aspects. In microeconomics, the related issues to goods and services business are studied under the title of business specific theories and commercial policies that are called international foreign business theories. In macroeconomics, the related issues to international flows of monetary assets such as mechanism for adjusting the balance of payments, movement of capital, the nature of international payments, and the international monetary system are studied that are called international finance.

3. Discussion and results

3.1 International business theories

3.1.1 Absolute advantage theory

Adam Smith in the book "*Wealth of Nations*" in 1776 believed that free trade among countries divides the tasks and producers of each country and will focus on production of a good which is produced cheaper than the other countries for both countries to enjoy the benefits. He argued that each country can be specialist in production of a specific good in which they have absolute advantage (it means they can produce goods with more efficiency than the other countries), and import goods with no absolute advantage than another country (or has absolute advantage), and produce the second good with less efficiency than another country (no absolute advantage). In this case, both sides will enjoy the profits by specialty in production and transaction of goods in which they have absolute advantage.

According to Adam Smith theory, business increases efficiency and yield by competitiveness. He emphasized that specialty in production leads to a little growth and finally to the cheaper products. Adam Smith knew specialty as the basis of advantage, and a country can have absolute advantage in both goods according to absolute advantage theory (Babaei Zakilaki, 1999).

3.1.2 Comparative advantage theory

David Ricardo offered comparative advantage theory that includes an important part of the world business. The aim of Ricardo was to show that business is in countries with absolute advantage in all goods. When David Ricardo proposed his theory, it was the beginning of the 19th century, and workforce was considered as the most important production factor in England with principal role in most goods (Roozbehan, 2011). Those times, workers had a few specialized skills. Therefore, homogenized workforce was a correct assumption. This theory was based on the following assumption:

1- Two countries two goods;
2- Work value theory;
3- Workforce is totally dynamic in a countries and is non-dynamic in international level;
4- Full competitiveness in market of production and products factors;
5- Income distribution in a countries is not under the influenced of business;
6- No technical changes happen;
7- Production cost is fixed;
8- Transportation cost is zero;
9- There is mutually beneficial business;

Based on Ricardo theory, if a country has an absolute advantage in production of each good, business will be profitable for both countries, because each country is specialized in production of goods with less comparative costs inside the country. Ricardo stated that even a country has an absolute advantage in production of both goods in comparison than another country, mutual business and trade can be for both countries, and country with less efficiency must be specialized in publishing and production of goods which don't have less absolute advantage. This is the same good that has comparative advantage in that country. On the other hand, a good with less absolute advantage must enter. This law is called comparative advantage theory as one of the most famous economic laws in international business.

3.1.3 Liender comparative advantage theory

Liender in 1961 offered theory of frequency of production factor. According to this theory, frequency of production factors is just true about the initial goods and are not applied for industrial goods. He believed that a country must first produce its goods for extensive domestic markets, and these productions include goods demanded by people and then that country will find the needed experience to export them to other countries even with similar per capital and same capital and workforce ratio, and started to trade with those countries. This theory believes that both countries with the mentioned specifications don't have relatively similar costs. Therefore, trade volume in Liender theory is high. Of course, it must be noted that Liender theory was confirmed just in Sweden, and its function is weak.

3.1.4 Opportunity cost theory

Haberler offered opportunity cost theory in 1936. According to this theory, cost of a good production includes a part of another good which is not produced anymore to provide enough resources to produce an extra unit of the first good. In this regard, a country with less opportunity cost in production of the first good has comparative advantage in that good production. Here there is this assumption that workforce is the only production factor or workforce homogenization, and cost of this good is not equal to workforce used in its production. In a country that lost opportunity cost of good is lower, it has comparative advantage in its production than the other goods. Thus, the lost opportunity costs state comparative advantage law acceptably, because it accepts that a series of non-homogenization production factor usually combine with various attributions with each other to produce various products. Moreover, it accepts that the possibility of the lost opportunities cost increases in more production of each good. Haberler connects foreign business and economic development. The dynamic resources of international business are as following according to his idea:

1- International resources provide the essential material tool for economic development.
2- Free trade is the most important anti-monopoly policy.
3- International business is done by publishing information and technology. Business is the movable machine and capital international movement from the developed to the developing countries (the same reference).

3.1.4.1 National competitive advantage

The world competitiveness in various industries is an important factor that is effective on success. In some industries, global companies move the other institutes out from competitiveness ring. This question is asked her why a specific country is proper to produce a specific industry. This question is answered by Michael Porter with the discussion of national competitive advantage. He claimed that 4 groups of national specifications play a role in making competitive advantage for companies of a country. They are called national diamond. If these 4 factors are effectively combined with each other, they can guarantee the success of companies of a country in international markets. These 4 factors include:

1- Production proportion, 2- demand condition, 3- dependent industries and support, 4- policy, structure, and competitive condition of companies (Kogan, 2001).

3.1.5 Factor endowments theory

Two economists called Eli Heckscher and Bertil Ohlin emphasized on the different factor's endowments among various countries in determination of opportunity cost. The theory of Eli Heckscher and Bertil Ohlin predicts that the specialized country in production of a specific good and its exporting have more intensive application of frequent production factors, while it is importer of a good with more intensive applied rate factors in it (Yarbrough, 2006).

3.1.5.1 Leontief Paradox

The main suggestion in Eli Heckscher and Bertil Ohlin theory was that each export country used its relatively frequent factor in that good production and the imported good must have relatively rate factor that was used in its production. Leontief (1947) tested this theory in US. Test results showed that US exporting is less costing than its importing. Exactly, it is opposite to what can be inferred based on production factor theory about US. The reasons for such a contradiction are based on the written equations since 1947 that can be described as following:

A) Reverse demand (intensive demand of US to use the costly goods);
B) Returns the ratio of production factors;
C) US importing limitations;
D) Relative frequency of skilled workface;
E) Relative advantage in technologies with deep technology;

3.1.6 Product cycle theory

Product cycle theory was proposed by Vernon (1966). The main idea of this theory is that specific countries tend to specialty in reduction of invented goods based on modern technologies, while other countries like to produce goods based on the previous invented goods. One important reason for this theory is that geographical condition of a product changes by its movement in its life cycle (Yarbrough, 2003). According to this theory, a new and advanced good face with problems in its initial steps for production or selling, and its massive production is not possible for incompleteness of design and accurate analysis. Hence, producing is limited and is supplied in market for usually assumed specific social level then it grows. Finally, it grows in market and its price reduces significantly (Babaei Zakilaki, 1999).

3.2 Some determinant factors in business

Business potential estimation between two or more countries happen using its determinant factors. These factors are proper paths, obstacles, and economic features that live for business between two or several countries and are described as following:

3.2.1 Gross domestic production (GDP)

This variable or its per capita state is key variables in business flows models, because it is proposed as an economic capacity, economic size, and economic foundation of an economic system. Actually, increasing GDP provides state ability for attraction and production of more goods, it means it provides supply and demand for business among countries. In other words, GDP has a positive effect on business flows.

If GDP of a country is divided to its total population, the per capita GPD is obtained. Per capita GPD is actually a per capita income that somehow shows economic annual potential production for each citizen. Per capita income can be a proper criterion to compare economic conditions of various countries but it is not absolutely the symbol of a country's non-development, because other factors such as life cost and level, income distributions, needs, problems of each country, consuming habits and behaviors, saving coefficient, and investment must be considered. Considering these regulations can approach the per capita income to the economic realities of each country relatively, and realizes comparison subject more (Taheri, 2003).

3.2.2 Population

It is a factor that increases experienced motivation and reduces domestic market and promotion level of economic activity. This idea can explain the reverse double-sided flows with population size as countries with more populations have less intention to domestic goods, because they can use the resulted economic scale better from domestic markets. This discussion can explain relatively why double-side flows usually have a reverse relationship with population size.

3.2.3 Distance between two countries

Distance between two countries is an important geographical factor in business models. Distance increases the cost of goods and services international transactions. Moreover, the cost of completing cross-border exchanges is considered as an obstacle against business. More separation of two potential business partners reduces the obstacles against business by increasing cost (Krugman, 1991). Very far partners naturally need more time to transact goods that sometimes lead to the equal cost to the natural price of goods that are not delivered on time. Therefore, geographical distance has a negative effect on business flows and shows increasing the distance between two countries increases goods transportation costs. Of course, this effect depends on transportation costs on good price.

4. Conclusion

As it was observed in this chapter, many advantages of e-business make not only the developed, but also the developing countries to use it as a tool to compete in domestic and international eras. Lack of e-business policy and information and communication technology (ICT) wouldn't have any result except isolation in the global economic era. The daily incremental extension of e-business volume in the world shows e-business potentials by economics and business eras. Thus, there is no way to use it in economic activities except permanent attempt.

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