

E-commerce in the Netherlands

Mr Nico A. Jansen MBA DipM MCIM

Introduction

In the literature and in the press you will find lots of confusing terminology. This is because e-business is a growing field with new terms emerging every day and no time to settle on common definitions. E-business is about the continuous optimization of a firm's business activities through digital technology. It involves attracting and retaining the right customers *and* business partners. It includes e-commerce digital communication, and online research. The following formula is simply a graphical representation of important e-business components.

$$EB=EC+BI+CRM+SCM+ERP$$

That is, e-business is e-commerce plus business intelligence, customer relationship management, supply chain management, and enterprise resource planning

E-commerce uses digital technologies such as the Internet and bar code scanners to enable the buying and selling process. In other words e-commerce is about transactions. So e-commerce also involves e-tailing (retail via the internet). E-commerce and e-business are often used interchangeably.

Business Intelligence (BI) refers to the gathering of data and information about competitors, markets and customers.

Customer Relationship Management (CRM) involves retaining customers through strategies that ensure their long term satisfaction about the firm and its products. CRM seeks to keep customers for a long(er) time and to increase the number and timing of transactions. As it relates to e-business, CRM uses digital processes and integrates customer information collected at every customer 'touch point'.

Supply Chain Management (SCM) happens behind the scenes. It involves coordination of the distribution channel to deliver products effectively and efficiently to customers. The processes used, referred to as integrated logistics, are enhanced by computer systems.

Enterprise Resource Planning (ERP) also refers to back office operations such as order entry, purchasing, invoicing and inventory control. ERP systems allow organizations to optimize business processes while lowering costs.

Impact

The impact of e-commerce on the economy extends far beyond the monetary value of e-commerce activity. Businesses use e-commerce to develop for example (new) competitive advantages by providing more useful information, to expand choice, to develop new services, to streamline purchase processes and to lower costs. The internet also imposes new price disciplines as customers have access to price and product information from many sources

Level of Commitment

Firms have different levels of commitment to e-business. Some firms start as complete dot-com companies, whereas other firms adopt e-business for specific objectives like increased efficiency and effectiveness and some companies don't adopt e-business at all. One could say the lowest level of commitment is in using the internet only for efficiency, cost reductions, publishing brochures or order processing. The highest level of commitment will be found with so called 'Pure Play companies' who concentrate themselves completely on e-business.

Different Markets

The total e-commerce market may be divided into four separate markets. In the matrix below the four categories are presented and illustrated with Dutch examples.

Table 1 Four different e-commerce markets.

	Business	Consumer
Business	<p>Business-to-Business (B2B)</p> <p>E-procurement via electronic marketplaces, hubs or exchanges</p> <ul style="list-style-type: none">• http://www.trade-ranger.com• http://www.APX.nl• http://www.freecargo.com	<p>Business to Consumer (B2C)</p> <ul style="list-style-type: none">• http://www.wehkamp.nl• http://www.alex.nl
Consumer	<p>Consumer-to-Business (C2B)</p> <p>Reverse auctions</p> <ul style="list-style-type: none">• http://www.miepkniep.nl• http://www.unitedconsumers.nl	<p>Consumer to Consumer (C2C)</p> <p>Traditional auctions</p> <ul style="list-style-type: none">• http://www.internet-veiling.nl• http://www2vergelijk.nl

Internet and E Commerce in The Netherlands

While many Americans are avid Internet surfers, a majority of Europeans do not even use computers at all. The figure for non-computer users reaches as high as 75,3 percent and 74,7 % in Greece and Portugal respectively, according to a recent Eurobarometer survey, The data based on interviews indicate that in Europe the highest proportion of internet users are found in Sweden (66,5%), Denmark (59,4 %), The Netherlands. (53,8%) and Finland (51,4%)

(Greenspan) In comparison, Japan has now (2002) 19,4 million Internet users, representing over 20% of Japanese homes online.(worldlingo) This figure represents a 128.8 percent increase on last year's figure.

It is expected (IDC Reserach) that in between 2002 and 2006 total spendings on the Internet in The Netherlands will increase from 1.8 milliard Euro to 12,9 milliard Euro. E-commerce is set to explode in Japan from about \$ 4 billion in 1999 to \$693 billion in 2003 according to a report by Andersen Consulting and the MITI (Greenberg)

Business-to-Business (B2B)

In spite of economic slowdown the strong confidence in growth of the B2B use of the internet remains. Research agency Forrester expects for Europe in the year 2002 that around 33% of all business transactions will be via the internet. <http://www.trade-ranger.com> was initiated as an electronic marketplace by Royal Dutch Shell and BP, it now has 18 participants for procurement of parts and services for their production processes. Trade ranger has a yearly turnover of 125 milliard dollar. Transparency and cost savings are the major advantages of these new web enabled ways of procurement

Analysts expect that the B2B market segment will become ten times the size of B2C market. As the B2B market is international by nature very precise data about the Dutch market are hard to generate.

Business-to-Consumer (B2C)

The market for online consumer spendings by Dutch internetters increased by 72% in 2001 to 554 million Euro according to the Online Shopping Monitor 2001 of Rotterdam based research agency Blauw research BV. The outcomes lead to the conclusion that the market will continue to demonstrate strong growth caused by an increase in number of buyers; for example in the last half of 2001 from 1,4 million to 2 million. Especially the segment of travel services performed very well. The increase in online sales was 131 % to over 200 million euro. Other segments demonstrating strong growth are clothing and food.

eRetail (etailing)

Catalogue mail order house Wehkamp (<http://www.wehkamp.nl>) was among the first companies to make use of e-commerce in the Netherlands. The Albert Heyn food chain , became the first retailer to introduce its products on the net alongside its conventional high street shops. Aware that Albert Heyn's site has only become profitable after two years of operation, other food supermarkets are still more adhering to traditional shopping and advertising. (<http://www.ah.nl> and <http://www.albert.nl>) Most of the web shops are small with half of all the shop investigated in 2001 not having a turnover of more than 225.000 Euro as indicated by the eRetailing Monitor. More information on <http://www.itb.hbd.nl>

Legal and self-regulatory initiatives

In February 2001 the EU directive 97/7/EG was implemented in Dutch law as section 9a of Book 7 of the Dutch Civil Code. Distance Selling Contracts are now governed by specific legal rules which for example include an information duty and a 'cool off' period. Before the sale can be realised 9 different types of information are to be made available to potential buyers via the web site. Information duties should be seriously taken into account when developing the contents of a site. The legislation allows for a cool off period of 7 days after the sale, during These seven days the buyer may return goods bought and dissolve the contract.

The text of the distance selling law can be found at www.overheid.nl/op/ by looking for Staatsblad 617)

Dutch initiatives taken towards self- regulation led to a self-imposed " Model Code of Conduct" presented by E-Commerce Platform Nederland (<http://www.ecp.nl>) on 17 November 1999. Well-received by the United Nations, it was accepted by the OECD as a guideline for member states. The Code includes, amongst others, agreements about the protection of personal data, the sending of e-mail advertisements and the use of electronic signatures.

Another initiative has been the introduction of the Webtrader hallmark. by the Dutch Consumers' Association (*Consumentenbond*) . The development of new legislation made the Association conclude the hallmark could be stopped and the initiative was terminated at the end of 2001.

Government Initiatives

The Electronics, Services & Information Technology Department within the Directorate General for Industry at the Ministry of Economic Affairs is the main department responsible for stimulating e-commerce activity in the Netherlands. Dutch Governments developed e-government activities (like the digital passport) and have also started to purchase and tender electronically. The government seeks to stimulate small and medium sized companies to adopt e-commerce more rapidly in various ways, recognising that there is a need to stimulate

innovation and remove barriers in capital markets. The Ministry works in close co-operation with Electronic Commerce Platform Nederland.

The ICT-policies of the last, now demissionary, Cabinet Balkenende were sharply criticised by the chairman of the Committee ICT and Government, Mr Docters van Leeuwen. He stated that a vision on and policies for ICT developments were lacking completely in the coalition agreement on which the last government was founded. Further information about government initiatives with respect to ICT can be found at <http://www.dedigitaledeta.nl> and <http://www.informe.nl>

Internet Banking and Transaction Security

Consumer Level (B2C)

In order to enable safe payments of Dutch and foreign consumers to be made via the Internet, Interpay, a joint-venture between the Netherlands' banks, developed I-Pay,

(<http://www.i-pay.com>)

According to IDC Research at the end of 2002 about one third of the Dutch population above the age of fifteen will use on-line banking services. These online banking experiences will contribute to increasing overall consumer confidence in internet based transactions and stimulate further growth.

Business to Business (B2B)

The Dutch bank ABN AMRO joined a bank consortium with ten other international banks including Barclays Bank, Bank of America, Bankers Trust, Chase Manhattan, Citibank, Deutsche Bank and Hypo Vereinsbank.

The conglomerate has set up a secure Internet banking network. It was launched by ABN AMRO under the name Identrus and is based in New York. The Identrus system makes trading on the Internet safer by providing business customers with a guaranteed identity of their trading partners.(<http://www.identrus.com>)

Conclusions

According to the META group which recently published their World E-Commerce and Internet Market Report (WECIM) , The US, Finland, Iceland, Canada and The Netherlands ranked highest in e-commerce potential among 47 nations. META Group's 2001 WECIM measures the e-commerce potential and readiness of 47 nations based on the following new-economy indicators: amount of financial transactions generated, literacy and education rates, market potential, globalization practices and technological sophistication. The study confirms that the Netherlands remain an attractive country for Japanese companies. Not only to open subsidiaries for operating in the European Union but also as a country offering the right infrastructure for strategic investments in e-commerce. It is expected (IDC Research) that in between 2002 and 2006 total spending on the Internet in The Netherlands will increase from 1.8 milliard Euro to 12,9 milliard Euro. An opportunity not to be missed!!

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