

EFFECTIVE E-BUSINESS TECHNOLOGIES FOR IMPROVING PAKISTAN'S EXPORTS

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ABSTRACT

This research paper entitled "Effective E-Business Technologies for Improving Pakistan's Exports" is written with the purpose to understand that Pakistan is facing uncountable problems so, it needs to find out new ways of doing worldwide business. This growth is only possible if we use the most recent technologies in all the fields of business specifically in exports. The e-business solutions have changed supply chain operations from mass production to mass customization. While many factors can influence macroeconomic variables to find evidence that the impact of e-business technologies on supply chain operations have resulted in lower inventory, reduced logistics costs, and efficient procurement processes. These improvements, in turn, have likely helped to lower inflation, decrease economic instability, strengthen productivity growth, and improve standards of living.

1. INTRODUCTION

E-business is not just only finding information about companies or selling and buying via electronic channels (which is often referred to as e-commerce) fundamentally. E-business is a much broader concept and it is concerned with using the Internet and related technologies to integrate and to re-design an organization's Internal activities, processes and external relations, and creates new ways of working that is significantly different from, and very often far superior to, what was possible in the past.¹ This means that even though e-business developments since the mid 1990's have been spectacular in many ways. There are various fundamental changes in the business environment. The nature of the economy has changed, as measured by the informational (intangible) elements of our products, services and production processes; and by the proportion of the work force whose primary

activities are informational rather than physical, often known as information workers and knowledge workers.² Information (or knowledge, intelligence) has become the most important resource upon which the efficiency and competitiveness of all organizations depend on, and the main source of future 'value added'. This is true not only in services and high tech industries, but also in primary and manufacturing industries – and in both private and public sectors. In other words, all activities, products and production processes have become information intensive – even in the traditional industries.³

2. NEED OF E-BUSINESS IN PAKISTAN

Pakistan with its countless problems needs to grow and learn new ways and avenues of doing global business. This growth is only possible if we use the latest technologies in all the fields of business specifically in exports. Exports are engines of enlargement for any economy; goods exported contribute to the rise in Gross National Product. The result of growth in exports leads to more jobs, higher income lower trade deficit and more commercial opportunities attributed to exports. The major objective is to study the export trends of Pakistan and to compare the trends with some other countries' exports.⁴ The countries which desire to increase their exports are utilizing the boom in the e-business related technology. These countries are growing rapidly in terms of exports with the exponential growth of e-business tools. Overseas companies are flocking online to take advantage of Internet abilities to generate efficiencies, cost saving and improved customer relationship. The e-business is also helping companies to compete in new markets both at domestic and international levels.⁵

3. ECONOMIC BACK DROP

Pakistan is a low income country but shows optimistic signs of growth. It is surviving amid ingrained economic problems like high population growth rate, lack of foreign investment, huge deficits, heavily indebted to foreign loans amounting US\$37.241 billion in 2006,⁶ unstable government and large chunks of GDP going to military expenditures from 1977 till today. For example,

most recent floods in the country have affected 60 of the total districts in the country. Keeping aside all these problems, Pakistan has to grow, utilizing its full potentials and tapping its full resources.

A major problem is that Pakistan is not trying hard enough to search potential market for its products or capture market share abroad. It is expected that if we only promote our export properly, the current scenario of our economy will change. It is, however, possible if Pakistani exporters use latest technologies i.e. e-business /e-commerce in discovering new opportunities, developing and communicating new products, opening markets and methods through latest means. In this research article, various suggestions are made to business and export community and also government bodies so that they can discover the latest opportunities to boost up various products export, efficiently and effectively.⁷

4. EXPORT SITUATION

The economy of Pakistan does not indicate a very favorable position especially in terms of exports. The only pliable solution of the problem seems to be increasing exports and decreasing imports. Although there is tremendous potential for Pakistan to become more active in exports, however export trend narrate another story. Pakistan's exports in the year 2005-06 amounted only to dollars \$ 16.46 billion. It was not able to reach the target of \$ 18.6 billion.⁸ There are many reasons for low exports such as global recession; particularly in US, Japan and European Union, which are principle importers of Pakistani products. Flood – like conditions in the country and high cost of production are few reasons to be mentioned. Another major problem, which has further deteriorated the condition of exports, is that we have not yet positioned ourselves as a reliable exporter in terms of quality products because of the law and order situations. Our borders are almost open for the neighbor's black trade.

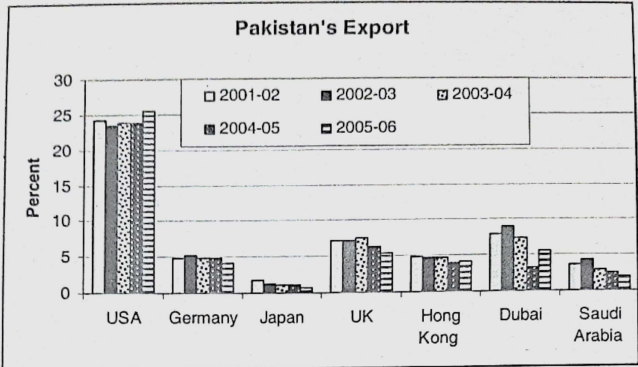
If we look at our exports in the year 2006, it only amounted to US \$ 16.46 billion in total, which means our exports had share of only 0.13% of the world market. World market is approximately 787 times larger than our markets. More than 47.6% of our exports are going to seven countries.⁹ Our export is highly concentrated in countries like USA, Germany, Japan, UK, Hong Kong, Dubai, and Saudi Arabia. After 2001 the things are different to some extent. The following Table-1 and Figure -1 shows the evidence.

Table-1:

Major export concentrated in few countries (Value in Percentage)

Countries	2001-02	2002-03	2003-04	2004-05	2005-06
USA	24.27	23.5	23.9	23.9	25.5
Germany	4.9	5.2	4.9	4.8	4.2
Japan	1.8	1.3	1.1	1.1	0.8
UK	7.2	7.1	7.6	6.2	5.4
Hong Kong	4.8	4.6	4.7	3.9	4.1
Dubai	7.9	9.0	7.3	3.3	5.6
Saudi Arabia	3.6	4.3	2.8	2.5	2.0
Sub Total	54.9	55.0	52.3	45.7	47.6
Others Countries	45.1	45.0	47.7	54.3	52.4
Total	100.0	100.0	100.0	100.0	100.0

Source: Government of Pakistan (2006-2007) Economic Survey, Ministry of Finance Economic Advisor's Wing, Islamabad, pp.134-135



Source: Government of Pakistan (2006-2007) Economic Survey, Ministry of Finance Economic Advisor's Wing, Islamabad, pp.134-135

5. DIRECTION OF EXPORTS

Actually, Pakistan trades with a large number of countries and its exports are highly concentrated in a few countries including USA, Germany, Japan, UK, Hong Kong, Dubai, and Saudi Arabia, which accounts for one-half of its exports. The United States is the single largest export market for Pakistan, accounting only for 28.4% of its exports followed by U.K. and Germany. Japan is fast vanishing as export market for Pakistan as its share in total exports has been on decline for one decade, reaching less than 1.0% from 5.7% a decade ago.¹⁰ Pakistan needs to diversify its exports not only in terms of commodities but also in terms of markets. Heavy concentration of exports in a few commodities and a few markets can lead to export instability. Other issues which need to be addressed includes: low value added and poor quality; obsolete use of machinery and technology; higher wastage of inputs adding to the cost of production; low labour productivity; little spending on research and development; export houses lacking capacity to meet bulk orders; inability to meet requirements of consumers in terms of fashion and design; non-adherence to contracted quality and delivery schedule, lack of marketing techniques etc.

There is a need to expand our global market considering that there is competition with India, China and Asian tigers, which can have further disastrous effects on our exports. Growth rates at many markets out space the domestic markets. Beating competitors abroad as well as at domestic market can keep us on the edge. Our export data related to recent year shows that Pakistan is not trading with countries with which it has close and good bilateral relations such as Iran, Turkey, and China.¹¹

6. THE COMPOSITION OF EXPORTS

The composition of exports suggests that Pakistan does not rely heavily on the exports of primary commodities in recent years. During July- March of the current fiscal year (2006-07), the share of primary commodities remained at 11%; semi manufactured showed a slight decline of 1% point and stood at 10% while manufactured goods reflected an increase from 78 to 79% due to large share of value added exports.¹² The evidence is given in the following figures-2

Figure -2: Composition of export

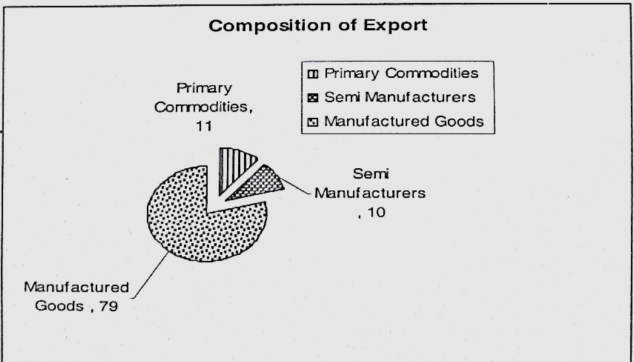


Figure-2: Government of Pakistan (2006-2007) Economic Survey, Ministry of Finance Economic Advisor's Wing, Islamabad, pp.134-135

7. PRODUCTS EXPORTED BY PAKISTAN

Pakistan is still relying greatly on textiles i.e. cotton and cotton related products; it constitutes around 60% of our total exports. We export commodities like textiles (garments, cotton cloth and yarn knitwear, bed wear, towels, tents, canvas & tarpaulin) rice, sport goods, leather and, other agriculture products.¹³

On the contrary, our country imports machinery, petroleum products, chemicals, transportation equipment, edible oils, grains, pulse and flour. If we compare Pakistan only with India, we come to the conclusion that India is exporting a variety of products ranging from software to canned food, from fashion apparel to satellite programs. Pakistan needs to diversify its exports not only in terms of commodities but also in terms of markets. Heavy concentration of exports in a few commodities and a few markets could cause a serious export instability.¹⁴

8. E-BUSINESS BENEFITS FOR EXPORTERS

We need to define e-business before considering its benefits for exporters. We can define e-business from four different perspectives.

From communication perspective, electronic business is delivering of information, products/services, or payments via telephone lines, computer net works, or any other means. From a business process perspective, electronic business is the application of technology towards the automation of business transactions work flow. From service perspective, electronic business is a tool that addresses the desire of firms, customers, and management to cut service costs while improving to the quality of goods and increasing the speed of service delivery. From an on line perspective, electronic business provides the capability of buying and selling products and information on the Internet and on other on line services. There are a myriad of positive benefits associated with e-business including customer convenience, increased sales, professional image and the list goes on.¹⁵ E-business through

Internet and other devices have revolutionized the world in past ten years. E- business appeared simple (well almost) once you understand how all the components work together. A merchant account allows you to accept credit cards, your web host shows your website to the world, your shopping charts helps your customer order easily and real-time processing process the orders in real-time and approved transactions are credited to your merchant account. All are independent components but then all function together to make e-business work. Find a desire or web master who can bring all these elements together on your site and watch e-business work for you.¹⁶

9. ROLE OF E-BUSINESS IN EXPORT

Electronic businesses plays major role in boosting Pakistan's exports, which have been stagnated. Pakistan can improve its conditions by using e-business: Internet could play dramatic role in boosting Pakistani exports. All type of companies in Pakistan have the access to Internet through which they can increase trade nationally and internationally. The Internet as a powerful tool has revolutionized all aspects of business. However, a few firms are using the Internet effectively to generate or support international sales. Some firms are even turning away international orders because they are unfamiliar with export requirements. Even developed countries like America are making efforts to raise awareness about the global scope of e-business and build support for a private-sector led approach to e-business policy both nationally and internationally. The U.S. Department of commerce/business, keep on informing American exporters through a series of seminars on stages and procedures that will help firms overcome the challenge of international business and make more effective use of the Internet to expand global sales. Pakistanis have always considered America as a paragon in every walk of life so why not in terms of export policies?¹⁷

Forrester's research found that the typical U.S. Company could expect 30% of its web traffic to come from overseas-from the day it goes into operation. It can also expect 10% of its orders

to come from abroad. However, nearly half the international orders received by U.S. companies go unfilled. Moreover, Forrester estimates that non-U.S. e-business transactions will increase from 167.1\$ billion in 2000 to \$3.69 trillion in 2004. This growth means that any firm without international e-business strategies will not be able to participate in an increasing share of the available business opportunities.¹⁸

By comparing Pakistan with India, we come to know that India has focused much more attention on e-business related tools. Indian companies have made themselves available at every site thus using the Internet to export. They are concentrating mainly on the web marketing, branding and advertising internationally. Pakistani exporters have failed to grab this opportunity. Pakistan had thirty Internet Services Providers (ISPs) and 1.2 million Internet users in year 2000. These Internet users have increased tremendously since then. National statistics conducted a survey of about 1800 adults. They said hotel and flight bookings are the most popular purchases made by Britons over the Internet although well over half of the web surfaces have still not bought anything online. Official figures showed that just over half of the adults in Britain, or about 23 million people have used the Internet at some time. Of these, roughly three quarters used it to find information about goods and services. 71% used or received e-mail and 35% to buy something. Flights and hotels accommodation made up 35% of the total; books or magazines, 26% music or CDs, 25% ; and tickets for event, 19%; of those who brought online, only 18%; had spent more than \$736 in the past three months, and 29% had spent under \$147. Another interesting finding made by them was that the main reason given for not spending money over the Internet was security concerns, 29% said. However only 5% of those questioned had actually experienced any security problems on the Internet.¹⁹ [Government Statistical Agency England, 2001]

10. MAJOR CHALLENGES IN E-BUSINESS

It is also important to know that fraud runs rampant on the Internet. Unfortunately exporters bear the primary responsibility

ensuring whether a transaction is legitimate before filling the order. In other words, if a transaction is fraudulent it means that exporter failed to take all the important steps to verify the legitimacy of the order. While many companies are successfully using the Internet to support their domestic activities, its use to move in to the global market place is posing more difficult challenges there are many cost and risk associated with the exporting through the net as well.¹⁹ It is the company to weigh against these costs and risks. These difficulties have led many firms, especially Small – and Medium sized Enterprises (SMEs) to ignore international markets and reject international opportunities – even when orders land on their door step Via the Internet. Thus there are many issues which need to be addressed before using e-business like internationalization, multi currency pricing and payments system; legal and regulatory issues; vertical and horizontal market places; and fulfillment and delivery. If one of the key benefits of e-business is its creation of a seamless global market place, then one of the most significant challenges is national legal and regulatory issues that have impact on electronic business. From taxes and tariff as to privacy, consumer protection to content, government policies will play a role in shaping the future of electronic commerce and how companies use the Internet to transact international business. Government should provide an overview of the key policy issue to watch, how they are being addressed and how they could impact the international business model.²⁰

11. CONCLUSIONS/RECOMMENDATIONS

The government of Pakistan is responsible to give awareness to the business communities because the improvements in supply chain and e-business reduced bullwhip effect (production volatility that more closely resembles with sales volatility), lower inventory levels, reduced logistical costs, and streamlined procurement processes:

1. Pakistan's chamber of commerce with the help of ministry of finance and technology should build a comprehensive profile of countries containing e-business legal and regulatory data. It follows up consultations with the department of commerce's staff of global experts.

2. Exporters must be encouraged to use latest technologies. Government must implement private sector led approach to e-business policy. Trade policies must provide more incentives to the exporters; the government should refrain from imposing new and un-necessary regulations, bureaucratic procedures, or taxes and tariffs on commercial activities that take place via the Internet.
3. Exporters could obtain qualified export counselling and make a master international marketing plan before exporting. The plan must mention goals, objectives and problems encountered abroad.
4. Exporters must also take sufficient care in selecting distribution abroad. There are many complications in the international combinations and transportation so they should choose international distributors rather than a local, counter part to remove any hitch created by e-business tools. Moreover some organizations are even turning away international orders because they are unfamiliar with export requirement globally.

Thus, Pakistan needs to utilize all its available resources to boost exports. The resources could only be fully harnessed with combined efforts of the government and exporters. Government of Pakistan should provide an overview of key policy issue to watch how they are being addressed, and how they could impact the international business. In the light of above study it is finally recommended that:

1. Supply chain management principles combined with new information (e-business) technologies may not have been given much macroeconomic attention in the past.
2. Supply chain and e-business have effective implementation, can help firms reduce costs, increase revenues, boost efficiencies, and expand market opportunities.
3. With the help of e-business, we can easily supply all over the world every kind of commodity, but Pakistani business community is not getting proper advantage from it.
4. In Pakistan, the majority of people still believes in non electronic business, then they are not getting due benefits from e-business.
5. The government must give awareness of e-business to the business; community and local people then these improvements

are linked to macroeconomic benefits such as lower inflation, more stable economic output, higher productivity growth, and better standards of living.

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