

In Bloom, Online: An Exploratory Study of the Philippine Cut Flower Corporation's <http://islandrose.net>

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E-commerce is the use of the Internet to conduct business. In the Philippines, there is an increasing adoption of e-commerce by small and medium enterprises (SMEs). To explore the SMEs' process of adoption of e-commerce, this study analyzed the integration of the Island Rose Web site (<http://islandrose.net>) in the business operations of the Philippine Cut Flower Corporation (PCFC). Through an interview with the Island Rose Marketing Director and an analysis of islandrose.net, it was found that certain conditions and processes were necessary for the successful combination of the website and the physical business. An evaluation of islandrose.net from the perspective of its users and other entities is recommended for future research.

In the Philippines, the year 2000 marked the strengthening of local information and communication technology (ICT) with the signing of Republic Act No. 8792, more popularly known as the Electronic Commerce (E-commerce) Act of the Philippines. E-commerce provides a “platform where customers directly deal with producers, sellers and/or intermediaries offering a wide range of goods and services” (Orbeta, 2001: 2-3). According to Lallana (2003), this online interaction has attracted Internet-savvy Filipino, who have availed of products online from the likes of eBay.com, Amazon.com and locally, MyAyala.com.

Roughly a year after the E-commerce Act was signed, the Philippine Cut Flower Corporation (PCFC), a local small and medium enterprise¹ (SME), ventured into e-commerce with the creation of its official website, islandrose.net (<http://islandrose.net>). The company is a 25-year-old family business that primarily supplies and assembles flowers on a wholesale basis. It deals with mostly corporate clients but also accommodates a number of walk-in customers. Through its Island Rose website, the PCFC makes it possible for customers to buy and have their orders delivered anywhere in the Philippines (“Island Rose Website”, 2007). PCFC and its Island Rose website provide an interesting case on how an SME can successfully adopt e-commerce, and can serve as a model for other SMEs to do the same.

The ICT Sector and E-commerce

The ICT sector plays a crucial role in widening access to knowledge, spreading information, and opening access to markets (“Global e-Sustainability Initiative”, 2002). In particular, several authors have recognized the sector’s characteristic of enabling immediate returns on company investment (Ilano, 2006; Laver, 1989; Lim & Yue, 2002; Orbeta, 2001). Moreover, the nature of ICT capital has been seen as: (1) “capital deepening” when it generates a more efficient production technology that enables more productive labor; or as a (2) “coordination effect” when transactions and business processes within organizations have improved by reducing their costs (Dedrick, Gurbaxani, & Kraemer, 2003 in United Nations Conference on Trade and Development [UNCTAD], 2003).

The role of ICT becomes more apparent now that communication through interactive systems, especially through wireless technologies and the Internet, is increasingly changing the conduct of business (Global e-Sustainability Initiative, 2002; Masuda, 1998 in Lacuesta, 2003). With its extensive and

expansive features, the Internet has become a strategic outlet for business through what is now commonly known as e-commerce (Orbeta, 2001).

E-commerce is defined as the “use of computers and electronic networks to conduct business over the Internet or another electronic network” (Pricewaterhouse Coopers, 1999 in Lacuesta, 2003: 4). The adoption of e-commerce by businesses complements the physical business (Steinfeld & Whiten, 1999 in Lacuesta, 2003). One particular study found that firms which adopted more e-business tools such as email service, web page, and web portal generated higher levels of exports, compared to firms which had no online facility or web presence (Lal, 2002 in UNCTAD, 2003). Thus, the UNCTAD (2003) concluded that the adoption of such e-business tools could improve economic performance. Accordingly, these tools are “valuable for smaller developing countries, where domestic markets are often quite small” (48).

Other studies found that beyond increasing exports, the use of e-business tools also helped enhance productivity, promote effective management, and provide easier access to information and their clients (Ilano, 2006; Laver, 1989; Lim, & Yue, 2002). Similarly, this study sought to find out whether sales, productivity, management and access to information and customers have improved with the PCFC’s adoption of the Island Rose website.

The Adoption of E-commerce by SMEs

SMEs play a crucial role in the development of the Philippine economy as they represent 99.6% of all businesses registered in the country, and employ 69.9% of the total labor force (Leano, 2006). In 2005, *SME Insight* reported that “there were [already] 632,800 new SMEs in the Asia-Pacific region” (Ilano, 2006: 80). The proliferation of SMEs and their role in improving the country’s economy make the adoption of e-commerce more

advantageous for them. By adopting e-commerce, SMEs will be able to “deal directly with the consumer and cater personally to his needs” (Orbeta, 2001: 5). Through their website counterparts, “intermediation is avoided and costs are lowered” (5). Since the E-commerce Act took effect, several local business websites have emerged. These include Divisoria.com, 22Ban.com, E2door, Filgifts, and Yehey prepaid (Lallana, 2003).

Consumer Security

Online business transactions demand considerable information from consumers (particularly in online credit card purchases). Concerns about the privacy of consumers and the potential misuse of the personal information have been raised, particularly on identity theft, the tampering of personal information, and unauthorized transactions using illegally accessed financial information (Federal Trade Commission [FTC], 1996). These risks hinder consumers from making online purchases (FTC, 1996). Thus, tighter online privacy policies are crucial for Internet businesses to flourish, especially since consumers have become vigilant about their right to know how their personal online information is used (FTC, 1996; UNCTAD, 2002).

With the proliferation and significant economic contributions of SMEs in the country, this study sought to explore how a particular SME, as the PCFC, incorporated the website islandrose.net into its business operations. The present study also aimed to know whether the aforesaid benefits of ICT and e-commerce, when integrated with businesses, would hold true in the case of PCFC’s adoption of the Island Rose website. In addition, the researchers aimed to find out how the Island Rose website has addressed consumer security, a critical issue in e-commerce.

Study Framework

To illustrate the processes which the PCFC underwent in adopting the Island Rose website up to modifying the website based on the results of the adoption, an integrated model (see Figure 1) was constructed using Rogers' "Steps to Innovation-Decision Process" (1986) and Rosegger's "Diffusion of Innovations" model (1996).



Figure 1. Integrated framework of PCFC's adoption of the Island Rose website

The theory of Diffusion of Innovations describes the innovation-decision process as a "mental process" that has six stages: acquisition of knowledge, persuasion, decision, implementation, and confirmation (Rogers, 1986 in Lacuesta, 2003: 43). This study proposed that in adopting an innovation, such as a website, to complement physical business, a company would go through the aforementioned stages.

Knowledge is the stage wherein the company is exposed to the innovation, and learns how it works (Rogers, 1986 in Lacuesta, 2003: 43). The prior condition of the company influences the extent and rate of the innovation-adoption. For instance, adopting an innovation requires the financial capability of the company to purchase, utilize and update the technology it aims to adopt (Rosegger, 1996). Further, since the introduction of the new technology may require the firm to "scale-up or scale-down," the company's technological capability, or "the suitability of major innovations to a firm's production system" (Rosegger, 1996: 214) should also be assessed in economic terms, social prestige, convenience, and satisfaction (Rogers, 1986 in

Lacuesta, 2003). This study, thus, looked into the characteristics of PCFC upon adopting the Island Rose website in terms of its financial and technological capability.

In the next stage, persuasion, the company forms favorable or unfavorable attitudes towards the innovation (Rogers, 1986 in Lacuesta, 2003), depending on their assessment of the opportunities and risks present in the innovation. Rogers (in Lacuesta, 2003: 46) posited that opportunities can include the company's relative advantage, "gauged in economic terms, social prestige, convenience and satisfaction", as well as the expected effects of adopting a website for business, such as enhanced productivity, effective management, and easier access to information and their clients (Ilano, 2006; Laver, 1989; Lim & Yue, 2002). On the other hand, risks can include the difficulties which may be encountered with the adoption of the new technology. Under the assumption of the "skill-biased technological change" phenomenon, the new technology affects not only computer and Internet-literate customers but PCFC employees as well (UNCTAD, 2003). Their unwelcome reception of new technology can therefore be considered as a risk for a company that wants to integrate technology in its operations.

For this stage of the adoption, the researchers determined the opportunities and risks which PCFC considered in its decision to put up the Island Rose website. In particular, the researchers aimed to ascertain the relative advantage and impacts the company expected in adopting the website. They also inquired into how the customers and PCFC employees received the new technology.

After weighing the opportunities and risks, the company moves on to the decision stage, wherein it gets involved "with activities that lead to the adoption or rejection of the innovation" (Rogers, 1986 in Lacuesta, 2003: 48). However, it is in the implementation stage where the company actually "utilizes the innovation". Thus, this study combined decision and implementation into one stage to show how PCFC

operationalized the adoption of the innovation, in terms of the resulting features and services offered by the Island Rose website. These are further classified according to their functions which facilitate, first, interacting with the customers, and second, interacting with other businesses.

In the confirmation stage, the consequences of adopting the innovation are ascertained to make adjustments (Rogers, 1986 in Lacuesta, 2003). The researchers assessed these consequences by determining if there is growth in PCFC sales after the adoption of the website, and by inquiring whether the *expected effects*, which are “savings in labor, capital, materials or energy acquired after adoption of innovation” (Rosegger, 1996: 211) were achieved. Also examined are the modifications from the initial adoption, since “there is usually a difference in the appearance of a new idea to the uses planned before the adoption” (Rogers, 1986 in Lacuesta, 2003: 48). Finally, the adoption of the innovation becomes cyclical as the expected effects from the adoption also reflect changes in the existing capabilities of the firm. Such changes may include an increase or decrease in the financial status of the firm, or the upgrading or downgrading of the firm’s technologies.

Research Questions

This study focuses on the general research problem: How did the Philippine Cut Flower Corporation (PCFC) integrate the Island Rose Web Site into its business operations?

Guided by the theory of the Diffusion of Innovations, the study identified the following specific issues that must be addressed to sufficiently answer the general research question:

RQ1: What was the status of PCFC before putting up the Island Rose website in terms of its a) financial capability and b) technological capability?

- RQ2: What opportunities and risks did PCFC consider in adopting the Island Rose website vis-à-vis a) relative advantage, b) expected effects (e.g. enhanced productivity, effective management, easier access to information and clients), and c) reception of new technology?
- RQ3: How did the features and services of Island Rose website facilitate interactions between a) PCFC and its customers and b) PCFC and other businesses?
- RQ4: What changes in the status of PCFC occurred upon the adoption of Island Rose website?

Methodology

This study used a qualitative approach to explore the processes involved in constructing the Island Rose website, and the processes that transpired because of the adoption. To know about these processes, a key informant interview was conducted with Mr. Dustin B. Andaya, Marketing Director of Island Rose, last March 15, 2007 at the Island Rose office located at Ground Floor, Tropical Palms Building, 103 Dela Rosa Street, Makati City. The interview was tape-recorded and later transcribed verbatim. A matrix was then constructed in order to categorize the data from the interview transcript, with respect to the objectives and framework of this study.

To assess how the Island Rose website facilitated the interaction between PCFC and its customers, as well PCFC and other businesses, the website's different features and services were examined. Electronic mails generated from the researchers' trial purchase from islandrose.net were also included in the website analysis.

This exploratory study wanted to know how a particular company, the PCFC, integrated islandrose.net into its business operations. Thus, the website's aesthetic features (such as layout and design) were not examined in this study because the

researchers wished to focus only on the processes involved in adopting a website for business up to modifying the website after the initial adoption.

Findings and Discussion

To discuss how the Island Rose website was integrated in the operations of PCFC, this study presents its findings according to how PCFC went through the stages in the “Innovation-Decision” process, namely knowledge, persuasion, decision and implementation, and confirmation.

Knowledge

According to the Rosegger’s model of Diffusion of Innovations, the characteristics of the company are the basis for acquisition of knowledge about the innovation. For this study, the prior characteristics of PCFC in terms of its financial and technological capability were examined.

Assessing the firm’s financial capability. Prior to adopting the website, PCFC dealt with mostly wholesale orders while receiving and handling very few retail purchases. The assembly of bulk orders became PCFC’s expertise and soon, they supplied flowers to other similar businesses and affiliates. With the company’s revenues coming primarily from their wholesale business, income was steady. In an *SME Insight* interview (Ilano, 2006), Andaya² pegged their company’s profits at 16 million pesos before the website was created. With more than enough capital to purchase the necessary equipment to venture into e-commerce (e.g. hardware, software, and packaging utilities), PCFC had the financial capability to adopt the technology.

The website was set up to process online transactions. In connection with this, PCFC applied to banks in order to facilitate transactions needing the use of credit cards. Andaya,

however, did not view this as a limitation to the online expansion of PCFC. This is in spite of islandrose.net's initial zero credit card sales. In the Philippines, most banks and Internet merchant providers do not impose a minimum monetary or volume monthly requirement for a merchant account applicant to start accepting credit cards on the Internet. Andaya emphasized that, "as long as you are a company with acceptable credit card standing you can apply for a merchant account."

However, SMEs going online must deal with set up fees, as well as monthly and transactional costs that Internet merchant providers charge apart from the rate they charge as a percent of sales, or what is known as the discount rate. According to Andaya, these fees vary greatly in the Philippines, with local merchant account providers differing in their policies. Thus, SMEs can only determine whether their businesses will remain profitable after including the mentioned additional costs to their overhead. After considering these charges, PCFC pushed on with the adoption of islandrose.net.

Assessing the firm's technological capability. Before they adopted the website, PCFC focused only on the technology for the production of flowers. Andaya admitted that they were "simple and didn't try to reinvent." PCFC had computers but these were only used for word processing and spreadsheets. It also had no Internet connection then. However, after adopting islandrose.net, Andaya said that it became necessary to "infuse capital to invest in computers", since "Island Rose was an entirely new business" for them.

Persuasion

Evaluating opportunities and risks enables the company to decide whether to reject or accept the innovation. Opportunities include the company's relative advantage and expected effects of adopting a website for business, whereas risks include the reception of technology by the firm's employees.

Knowing the relative advantage. According to Andaya, a retailer can advertise just about any product in the Internet, “but you wouldn’t have a competitive advantage because anyone could do it.” The relative advantage of PCFC is that the Island Rose website connects the customer directly to the supplier (which is PCFC itself), unlike other online businesses that are mostly distributors of products. Because they are direct suppliers, PCFC can assure their customers of the quality of their roses. He added, “For someone to copy what we’ve done, you’re going to have to put up a farm, which is a bit more difficult.” This characteristic places PCFC in a strategic position to adopt the new technology.

Looking at the expected effects of adoption. Aside from the company’s relative advantage, the prospect of opening up to new markets was seen as a key benefit with the adoption of the website. Andaya shared, “Geographically, I was thinking of Filipinos who travel, so that they can send back [to the Philippines] whatever they want.” With the Island Rose website, PCFC could connect to customers who used to be out of their reach.

Anticipating the risk of employees’ resistance. When asked about the risks of adopting the website for business, Andaya said that “the most difficult part in ICT is the people’s [mindset] towards ICT.” When it came to the employees’ reception of the new technology, Andaya admitted that it was, at first, quite difficult to make his employees interested in ICT especially since they are an agriculture-based firm. Andaya also said that “if people don’t decide to adapt to the technology, it won’t work. If we’re not able to convince our people to use email, for example, it just doesn’t work.” Eventually, he “required everyone to adjust to the situation” so that their investments in e-commerce would pay off. Thus, it can be said that in venturing into e-commerce with its creation of islandrose.net, PCFC was able to outweigh the risk of employees’ resistance by emphasizing the opportunities that came with adopting the innovation.

Decision and Implementation

The decision and implementation stage illustrates how adopting the website for business is realized in terms of the features and services offered by the Island Rose website. These features and services are classified according to their functions which facilitate (1) interacting with the customers, and (2) interacting with other businesses.

Interacting with the customers. Island Rose roses and other products are posted in the website with their corresponding prices in Philippine pesos and US dollars. After the customer selects a product, he or she goes through two webpages to enter personal information and payment details, while the next two webpages review and confirm the information entered. Customers are assured of security through SSL (Security Sockets Layer), YESpayments and VeriSign. Electronic mails are also sent simultaneously to confirm the success of the transaction. The customer is then instructed to print out the generated invoice for his/her own reference.

The following subsections provide a more detailed discussion of the aforementioned payment security systems.

Consumer security. Through the website analysis, the researchers were able to identify some features available in the Island Rose website that increase online security for PCFC customers. One of these features is the website's affiliation with the payment gateway³ YESpayments. YESpayments functions to accept credit card transactions from sponsored merchants over the Internet, and processes them through acquiring banks in Hong Kong and the Philippines (YES Group website, 2007). This payment gateway also sends a notification email to clients to secure their purchase, indicating transaction details and results. In the event that a transaction fails, both Island Rose and YESpayments send separate notification emails.

Island Rose also protects credit card information through the use of SSL encryption. SSL, the *de facto* standard for e-commerce transaction security, sits on a secure server and is used to encrypt data and identify the website (“VeriSign website”, 2007).

In addition, islandrose.net has also employed the seal of VeriSign Inc. on its website interface, which enables and protects interactions across voice and data networks (“VeriSign website”, 2007). Clicking on the VeriSign secured logo on the Island Rose website interface allows the online user to confirm that it is a “mySecureSign, Inc. Secure Site” through a certificate. The mySecureSign, Inc. Secure Site is a program that allows the customers to learn more about websites they visit before submitting any confidential information (“mySecureSign website”, 2007).

Customer service. In his review of e-commerce trends in Southeast Asia, Orbeta (2000) cites “personal service, no waiting line, no sales person, and intelligent agents to facilitate sale” as some of the benefits customers receive when purchasing through the Internet (11). For this study, the researchers checked whether such advantages are made available through the features and services in the Island Rose website.

Part of the Island Rose website serves as an online customer service unit. Through its “Helpdesk”, Island Rose entertains customers’ complaints and questions. The Helpdesk contains Frequently Asked Questions (FAQs), Delivery Details, and Privacy Policy – links which provide extensive information about the company, transaction processes, and security policies.

In case of other inquiries or concerns, the Helpdesk Main Page also contains an electronic mail function sent directly to the Island Rose office for both customers and affiliates. Browsers may choose among “General Feedback”, “Order Inquiry”, “Website Feedback”, “Order Change”, “Wholesale”, or “Others” as subjects of their mails. These pre-selected topics

enable Island Rose to automatically classify mails. According to Andaya, mails sent through the Helpdesk are routed to different employees who handle particular topics of inquiry to ensure a quick response to the customers. Andaya himself answers customer complaints that are generated from the Helpdesk.

Island Rose also accommodates customers who inquire by phone. Andaya shared that although most of the transactions are done through the website, they have also posted their office number for those who would prefer calling them through landline.

With the abovementioned features, it can be said that the Island Rose website is able to provide services that aim to satisfy the needs of their customers. It could also be inferred that such services increase the likelihood of customers' patronage since the website meets their needs as buyers.

Interacting with other businesses

The Island Rose website also entertains inquiries from other businesses include would like to go into a partnership with the company. The Affiliate section (<http://islandrose.net/wholesale/affiliate.htm>) opens up to a number of web pages that contain information on business partnership options. These options are offered to websites (Associate Distributor), direct marketers (Direct Distributor), online businesses (Corporate Distributor), and flower shop entrepreneurs (Wholesale Distributor). Pages for each kind of affiliate include partnership details, general instructions, terms and conditions, and a link to the Helpdesk main page for other queries.

To help potential partners decide, islandrose.net includes a Product Specification page (<http://islandrose.net/wholesale/product.htm>) which showcases their line of roses, complete with the necessary details (color, type, stem length, vase-life, and variety) and images. The Florist Directory (<http://islandrose.net/wholesale/florist.htm>) also serves as a reference

to Island Rose's current local business partners, classified by province.

For suppliers and producers, Orbeta (2000) cites "real-time catalogues, personalized offerings, order-tracking, self-service information retrieval, and individualized dialogue" as some of the advantages they gain when transacting business through the Internet (10). Given the aforementioned features of islandrose.net, it could be said that the website provides these benefits to their existing and potential business partners.

Confirmation

In the confirmation stage, the results of adopting the innovation are assessed so that adjustments could be made in the website if needed. These results are evaluated by checking if the company's expected effects in using the Internet for business have been achieved.

Achieving expected effects. According to Andaya, 40% to 50% of PCFC's revenues now come from Island Rose, while the virtual business component consumes only 30 percent of total production in the flower farm. With islandrose.net, PCFC's customers now include Filipinos "here and abroad," as well as foreigners.

Automation of PCFC's transactions, as a result of adopting the website, has allowed for efficiency in business management. Automation is important for Island Rose to keep track of 7,000 to 8,000 products of 80 varieties, as well as to generate shipping labels and greeting cards from the customers' orders. Moreover, since PCFC's accounting is also automated, the firm is able to "gauge the profitability and non-profitability" of its products and services. Andaya mentioned that this would "count a lot especially for small businesses."

Moreover, Andaya hired only a small number of employees for the Island Rose business unit since automation

has eased their work. In fact, the technology even allowed them to multi-task. This supports Bresnahan, Brynjolfsson, and Hitt's (2002) finding in their study of technological change, organizational change, and organizational performance that "in order to implement new technologies successfully, companies need to decentralize decision making and adopt other 'high performance' workplace practices" which include an "increased reliance on worker teams" (49). Island Rose evidently practices these strategies.

Modifying the website. With its wider market reach, Island Rose also added new services and features in its website to meet customer demands. The unexpected emergence of its Philippine market entailed the creation of a local peso payment system, which indicates the amount of products in pesos (12% VAT excluded). Today, customers can opt to pay for their orders through dollar or peso accounts.

In addition, regular customers often look for discounts. In response, Island Rose created the Island Rose Peso Rewards Club (for peso accounts) and Island Rose Dollar Rewards Club (for dollar accounts). The Rewards Club would automatically register clients as members, enabling them to acquire points with every succeeding purchase. Upon registration, customers also received an email from Island Rose informing them of the number of points which they have accumulated.

Furthermore, the PCFC used the Internet not only to transact business but to promote it as well. Online search engines and other websites have been useful for advertising Island Rose and have helped the firm reach more customers. Andaya mentioned that their promotions are constantly updated to keep up with the competitive online industry. According to him, "you can't get left behind because things are moving all the time."

Summary and Conclusion

The findings show that certain conditions and processes were necessary for the successful integration of the Island Rose website to the business operations of PCFC. First, prior conditions in PCFC greatly influenced the company's decision to have a website. PCFC's steady income from its physical business and willingness to invest in computers placed the company in good position to adopt a website to complement its physical business.

Second, the company was convinced that the opportunities provided by having a website outweigh the risks, such that it was persuaded to adopt the website. PCFC favored the company's relative advantage of being direct suppliers of the products offered by the website, as well as the promise of a widened market reach, over the probability that employees would not respond to the new technology.

Third, the Island Rose website facilitated interaction between PCFC and its customers and provided value-added services to customers. Recognizing the importance of consumer security, PCFC included in its website authenticated payment security systems and personal email notifications of the status of transactions. It also enhanced customer service through its "Helpdesk," which primarily functions to address customer concerns and inquiries.

Furthermore, the Island Rose website facilitated interaction between PCFC and other businesses and provided information about business partnership options and current business partners. These services made transactions easier and more efficient for Island Rose and its existing and potential business affiliates.

Lastly, the adoption of the Island Rose website led to achieving the expected effects in adopting the website, rendering the integration of the physical business and website as successful. Through islandrose.net, PCFC was able to increase sales

significantly, improve employee productivity, ensure efficient management through automation, and widen its geographical market reach.

Modifications in the website, such as the creation of a local peso payment system and a Rewards Club for regular customers, were also implemented to meet the demands of the customers. Advertising islandrose.net also became easier for PCFC, as it was able to utilize links to promote itself through online search engines and other websites, although these needed constant updating. These findings indicate that a firm which seeks to adopt e-commerce must improve its financial and technological capabilities.

Implications and Recommendations

Theoretical

For this study, Roger's (1986) Steps to Innovation–Decision Process and Rosegger's (1996) Diffusion of Innovations model were used to explain how adopting an innovation necessitates certain conditions and processes to ensure successful adoption of an innovation. While the resulting integrated model was able to sufficiently explore the general problem of this study, future studies could use Pricewaterhouse Cooper's "Steps toward Enabling SME E-commerce Adoption" (1999) to further understand such conditions and processes. On the other hand, the Uses and Gratifications theory may be used to evaluate the level of customer satisfaction with the virtual business.

Methodological

Since this study only presents the perspective of PCFC with regard to its adoption of islandrose.net, it is suggested that another study be conducted to assess the company and its website. Analysis could be based on indicators such as increase

in sales, changes in the organizational structure of the firm, and other effects of the website adoption from an outsider's perspective.

In addition, quantitative studies could be undertaken to analyze ICT adoption. Specifically, a content analysis of the website's features is suggested to fully understand its online transaction processes and communication features, as well as to identify possible problematic areas that should be addressed to further improve the website, in particular, and of e-commerce in general. A cost-benefit analysis would also support the qualitative findings of this study.

Furthermore, a survey on the perceptions of potential and existing e-commerce clients would provide insights from the technology's market on the appeal (for potential consumers), usability, security (for existing consumers) of online purchases, and ability to create and establish business partnerships (for existing and potential business affiliates).

Practical

The findings of this study show that e-SMEs such as islandrose.net can only be successful if they have the necessary preconditions and processes to allow for the optimal integration of the website and the physical business. As seen in the findings, Island Rose caters to high-end consumers, particularly those who have access to the Internet and have credit cards. Given this limited scope of the market, the researchers recommend that SMEs assess how their products and services would fit the characteristics and demands of online users, should they wish to invest in e-commerce.

Moreover, it is suggested that SMEs should strive to expand their affiliations in order to increase online promotions and accessibility to local and international markets. Firms that offer products in a similar brand position (e.g. luxury items) may be considered for partnership, since they appeal to the

same target market. In addition, e-SMEs could coordinate with complementary websites (e.g. payment gateways, security sites) to facilitate better customer service.

With regard to security of online transactions, this study recommends that the security measures used by the Island Rose website be considered by other online businesses to improve consumer protection. Policy-makers, in turn, might find the study's findings useful in aid of legislation that addresses online consumer security.

Notes

- ¹ An SME is defined as "any business or activity engaged in industry, agri-business and/or services, whether single proprietorship, cooperative, partnership, or corporation whose total assets, inclusive of those arising from loans but exclusive of the land on which the business entity's office, plant, or equipment are situated, must have a value falling under the following categories: micro – up to P3,000,000; small – P3,000,001–P15,000,000; medium – P15,000,001 – P100,000,000" (Bangko Sentral ng Pilipinas, 2003, para. 2-3).
- ² Unless stated (such as indicated in this case), all direct quotes from Andaya were taken from the face-to-face interview conducted by the researchers at the Island Rose office last March 15, 2007, and from follow-up email correspondence between Andaya and the researchers shortly thereafter.
- ³ A payment gateway "provides credit card processing, billing, reporting, and settlement and operational services to acquiring and issuing banks, manages the process of transferring authorized and captured credit card funds between different financial accounts" (RealCart University, 2003).

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