

The impact of increased tariffs on e-commerce

 By Bennet Otoo

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As cliched as it may sound, the world is now a global village. Many factors, whether individual or combined, have rippling effects on the lives of people. In the past, the effects were somehow restricted to certain sectors or certain countries. However, these days, many government policies and structures can be said to be responsible for changes in economic growth, as well as productivity, which cuts across several sectors and countries. The impact that increased tariffs and taxes have on the economy cannot be over-emphasised. One fast-growing facet of most economies in Africa is e-commerce.



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Let's dive into some of the impacts that increased tariffs have on e-commerce...

Inadequate incomes

To be financially stable, there has to be a fine balance between income and expenditure. As tariffs increase, there is a direct effect on expenditure as almost all amenities are affected. Immediately, fuel prices go up, transport fares are increased. Prices of commodities on the market go up. However, almost all incomes remain the same. This weighs heavily on families and individuals. The greatest loser these days is e-commerce as many people who would otherwise utilise online services, book hotels online or purchase items online now prefer either to walk in or transact physical deals. They now forego the comfort and time saving that they previously would have enjoyed by paying a little more online.

Shoddy products and services

When tariffs are increased, many manufacturers are forced to adjust their procedures and techniques to be able to stay in business. The quality of goods and services is then compromised. Because many online shops and businesses list and sell products/services, any slight reduction in quality causes a decline in the level of trust of the consumers. This reduces income levels of many e-commerce platforms as less people utilise online services during that period.

Lay-offs

Increased tariffs have so much impact on businesses and the economy. One major problem is unemployment. When tariffs are increased and companies are forced to maximise resources, one area that is affected greatly is staff strength. The next option for most employers is to lay some workers off in order to get enough funds to continue the running of the business.

In e-commerce, once tariffs are increased, managers are then forced to merge roles. Hence one person may be performing multiple tasks while the other, who originally performed that role, is laid off. This then causes the employees who are left behind to be on their toes. There is often employee dissatisfaction and this greatly affects productivity.

Poverty and high crime

The adverse effect of high tariffs is so devastating that it transcends the lives of many people. High tariffs mean high prices, which causes unemployment, which also leads to low income and poverty. The resulting effect of this is an increase in the crime rate. E-commerce businesses are affected when crime increases because more and more people refrain from doing business online with the fear of being defrauded or scammed. No more online orders or online transaction causes revenue to reduce, which has a direct impact on several other factors in the e-commerce sector.

Product unavailability

For online businesses that mainly deal in products, all the above-mentioned factors tend to affect the availability of products. The total workforce decreases as a result of lay-offs. This leads to a vast decline in production. The more people go online without having adequate options to choose from or anything to buy, the more they lose confidence in the business. The end result is a total collapse of business or the accumulation of losses.

Day in, day out, e-commerce businesses are faced with these challenges, mainly as a result of impacts caused by the astronomical increase in tariffs. Although the sector has survived thus far, many fear that a frequent increase might totally collapse the business. Government policies are mostly blamed for increased tariffs; however most e-commerce businesses are finding strategies to get around this problem. It is believed that a permanent solution will be found to tackle this effectively.

ABOUT BENNET OTOO

Bennet Otoo is the PR & Communications Manager and Jumia Ghana.

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