In Chapter 1 we have said that “any strategy, no matter for a country, an industry or for an organization, will be restricted and influenced by the strategic environment”. In this chapter, some special strategic environments like financial crises and earthquakes are discussed in detail to explain further the impact of strategic environments on e-commerce. Actually, there are great differences between these impacts and all the strategic environments need to be treated case by case. But there is one common point underlying these cases, namely that environmental factors should be taken into consideration seriously while making e-commerce strategies, no matter whether they are positive or negative.

5.1 How to Fight Against Financial Crises

The global financial crisis in 2008 was the worst financial crisis since the Great Depression in 1929. The crisis originated in the United States and quickly spread all over the world. The global economy has been badly affected. In the background to the financial crisis, what will e-commerce do? How to fight against a financial crisis with e-commerce?

5.1.1 Financial Crisis

A financial crisis is used to describe a situation in which some financial institutions suddenly lose a great deal of assets, including a currency crisis, a banking crisis, a stock market crisis and public debt crisis[1]. A financial crisis can affect the whole economy of the country where the financial crisis is initiated and also has a great effect on the global economy through the chain reaction. A financial crisis may trigger a global economic recession and many businesses may
fail, or employees get laid off.

In history, there were many kinds of financial crises which really damaged the global economy badly. The economic crisis of 1929 initiated in the United States led to bankruptcies and mass unemployment across all industrialized countries. In 2008, another financial crisis began in the United States as the consequence of uncontrolled consumption by U.S. households and other Europeans. The housing bubble and the stock market bubble grew up in the United States in the mid-90s. At that time, the stock market was bullish and stock prices increased all the time, which made a great deal of unexpected wealth for people. It led to the consumption boom and a fixed asset such as housing became one of the most important investments for households. In return, the housing bubble was triggered because of exceeding demand and fixed supply. But the housing bubble started to burst in 2007 when house prices drastically declined. Many large state-based financial firms went bankrupt or merged with others. Meanwhile the crisis expanded into other countries with a ripple effect. It caused a deep recession and many other industrialized economies were damaged by its outcome. Three of the most important socio-economic consequences are shown as follows:

- Increasing unemployment rate. Due to the financial crisis, the growth of the whole economy slowed down and nearly each industry’s production was reduced with lower profit. As a result, companies tried to reduce expenses to maintain an ideal profit or reduce the loss. Downsizing was one of the most important solutions that most companies would take. Therefore the unemployment rate grew. To reduce costs, some giant companies such as Google, Yahoo and eBay all cut the number of employees\(^2\).

- Inflation or deflation. The financial crisis would mean people would lack enough credit to finance their purchases so that demand would be decreased to some extent, resulting in deflation. On the other hand, the government would launch relevant policies and pour more money into the banking system in order to stimulate the economy. This would increase the inflation rate to some extent\(^3\).

- Economic deceleration. Due to the financial crisis, many financial institutions were badly damaged so that the financing of other industries was badly influenced. Without enough financial support, it was impossible to expand business or investment. Meanwhile, an increasing unemployment rate led to less consumption. In return, this forced manufacturers to reduce production. In addition, inflation or deflation had a ripple effect on the economy. At the end, the economy decelerated.

In this situation, the performance of companies must be influenced. Due to the economic deceleration, all companies had to face problems such as high costs, few customers and little revenue. During the financial crisis, many companies went bankrupt or were acquired by other companies, especially medium-sized and small enterprises. Those enterprises with little capital highly depended on other large enterprises. Once the economic situation deteriorated, their orders were reduced to a large extent because consumption greatly shrunk and most of their customers had to reduce production. Meanwhile, costs were greatly increased because of high interest rates. Without enough capital, those medium-sized and small