

E-Commerce

Note: In addition to the following main points, the students should refer to the detailed study material which has already been e-mailed to them.

- **E-commerce**
 - Use of the Internet and Web to transact business
 - Digitally enabled transactions

- **Eight unique features of e-commerce technology**
 1. **Ubiquity**
 - Internet/Web technology available everywhere: anytime and from any place; work, home, etc.
 2. **Global reach**
 - The technology reaches across national boundaries, around the Earth
 3. **Universal standards**
 - One set of technology standards: Internet standards
 4. **Richness**
 - Supports video, audio, and text messages
 5. **Interactivity**
 - The technology works through interaction with the user
 6. **Information density**
 - Vast increases in information density—the total amount and quality of information available to all market participants
 7. **Personalization/Customization:**
 - Technology permits modification of messages, goods
 8. **Social technology**
 - The technology promotes user content generation and social networking

- **Digital markets reduce**
 - Information asymmetry
 - Search costs
 - Transaction costs
 - Menu costs
- **Digital markets enable**
 - Price discrimination
 - Dynamic pricing
 - Disintermediation
- **Digital goods**
 - Goods that can be delivered over a digital network e.g., Music, video, software, e-newspapers, e-books
 - Cost of producing first unit: almost entire cost of product while marginal cost of producing 2nd unit is almost zero
 - Costs of delivery over the Internet very low
 - Marketing costs remain the same; pricing highly variable
 - Industries with digital goods are undergoing revolutionary changes
- **Internet business models**
 - Pure-play models
 - Clicks-and-mortar models
- **Social Networks**
 - Online meeting place
 - Social shopping sites
 - Can provide ways for corporate clients to target customers through banner ads and pop-up ads
- **Online marketplace**
 - Provides a digital environment where buyers and sellers can meet, search for products, display products, and establish prices for those products
- **Content provider**
 - Providing digital content, such as digital news, music, photos, or video, over the Web

- **Online syndicators:**
 - Aggregate content from multiple sources, package for distribution, and resell to third-party Web sites
- **Service provider**
 - Provides Web 2.0 applications such as photo sharing and interactive maps, and services such as data storage
- **Portal**
 - “Supersite” that provides comprehensive entry point for huge array of resources and services on the Internet
- **Virtual storefront:**
 - Sells physical products directly to consumers or to individual businesses
- **Information broker:**
 - Provides product, pricing, and availability information to individuals and businesses
- **Transaction broker:**
 - Saves users money and time by processing online sales transactions and generating a fee for each transaction

- **Types of Electronic Commerce**
 - Business-to-consumer (B2C)
 - Business-to-business (B2B)
 - Consumer-to-consumer (C2C)
 - Mobile commerce (m-commerce)

- **Interactive marketing and personalization**
 - Web sites are bountiful source of details about customer behavior, preferences, buying patterns used to tailor promotions, products, services, and pricing
 - **Clickstream tracking tools:** Collect data on customer activities at Web sites used to create personalized Web pages
 - **Collaborative filtering:** Compares customer data to other customers to make product recommendation

- **Blogs**
 - Personal web pages that contain series of entries by author and links to related Web pages
 - Have increasing influence in politics, news
 - **Corporate blogs:** New channels for reaching customers, introducing new products and services
 - Blog analysis by marketers
- **Customer self-service**
 - Web sites and e-mail to answer customer questions or to provide customers with product information
 - Reduces need for human customer-support expert
- **B2B e-commerce: New efficiencies and relationships**
 - **Electronic data interchange (EDI)**
 - Computer-to-computer exchange of standard transactions such as invoices, purchase orders
 - Major industries have EDI standards that define structure and information fields of electronic documents for that industry
 - **More companies increasingly moving away from private networks to Internet for linking to other firms**
 - E.g., Procurement: Businesses can now use Internet to locate most low-cost supplier, search online catalogs of supplier products, negotiate with suppliers, place orders, etc.
- **Private industrial networks (private exchanges)**
 - Large firm using extranet to link to its suppliers, distributors and other key business partners
 - Owned by buyer
 - Permits sharing of:
 - ◇ Product design and development
 - ◇ Marketing
 - ◇ Production scheduling and inventory management
 - ◇ Unstructured communication (graphics and e-mail)

- **Net marketplaces (e-hubs)**
 - Single market for many buyers and sellers
 - Industry-owned or owned by independent intermediary
 - Generate revenue from transaction fees, other services
 - Use prices established through negotiation, auction, RFQs, or fixed prices
 - May focus on direct or indirect goods
 - May support long-term contract purchasing or short-term spot purchasing
 - May serve vertical or horizontal marketplaces

- **Exchanges**
 - Independently owned third-party Net marketplaces
 - Connect thousands of suppliers and buyers for spot purchasing
 - Typically provide vertical markets for direct goods for single industry (food, electronics)
 - Proliferated during early years of e-commerce; many have failed
Competitive bidding drove prices down and did not offer long-term relationships with buyers or services to make lowering prices worthwhile

- **M-commerce services and applications**
 - Although m-commerce represents a part of e-commerce transactions, revenue has been steadily growing
 - Location-based services
 - Banking and financial services
 - Wireless Advertising
 - Games and entertainment

- **Electronic payment systems**
 - **Digital wallet**
 - Stores credit card and owner identification information and enters the shopper's name, credit card number, and shipping information automatically when invoked to complete a purchase
 - **Accumulated balance digital payment systems**
 - Used for micropayments (\$10 or less)
 - Accumulating debit balance that is paid periodically on credit card or telephone bills
 - **Stored value payment systems**
 - Enable online payments based on value stored in online digital account
 - May be merchant platforms or peer-to-peer (PayPal)
 - **Digital checking**
 - Extend functionality of existing checking accounts to be used for online payments
 - **Electronic billing presentment and payment systems**
 - Paying monthly bills through electronic fund transfers or credit cards