E-commerce 2015

business. technology. society.

eleventh edition
global edition

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GLOBAL
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ELEVENTH EDITION

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Chapter 1

Introduction to E-commerce

Learning Objectives

- Define e-commerce and describe how it differs from e-business.
- Identify and describe the unique features of e-commerce technology.
- Describe the major types of e-commerce.
- Understand the evolution of e-commerce from its early years to today.
- Describe the major themes underlying the study of e-commerce.
- Identify the major academic disciplines contributing to e-commerce.

■ **Examples of e-commerce companies**

The First 30 Seconds

- **First 20 years of e-commerce**
  - ❖ Just the beginning
  - ❖ Rapid growth and change
- **Technologies continue to evolve at exponential rates**
  - ❖ Disruptive business change
  - ❖ New opportunities

What Is E-commerce?

E-commerce

- Use of Internet, the Web and apps to transact business.
- More formally:

  ❖ Digitally enabled commercial transactions between and among organizations and individuals.

    - ***Digitally enabled:*** include all transactions mediated by digital technology (over the Internet, the Web, and/or via mobile apps).
    - ***Commercial transactions:*** involve the exchange of value (e.g., money) across organizational or individual boundaries in return for products and services.
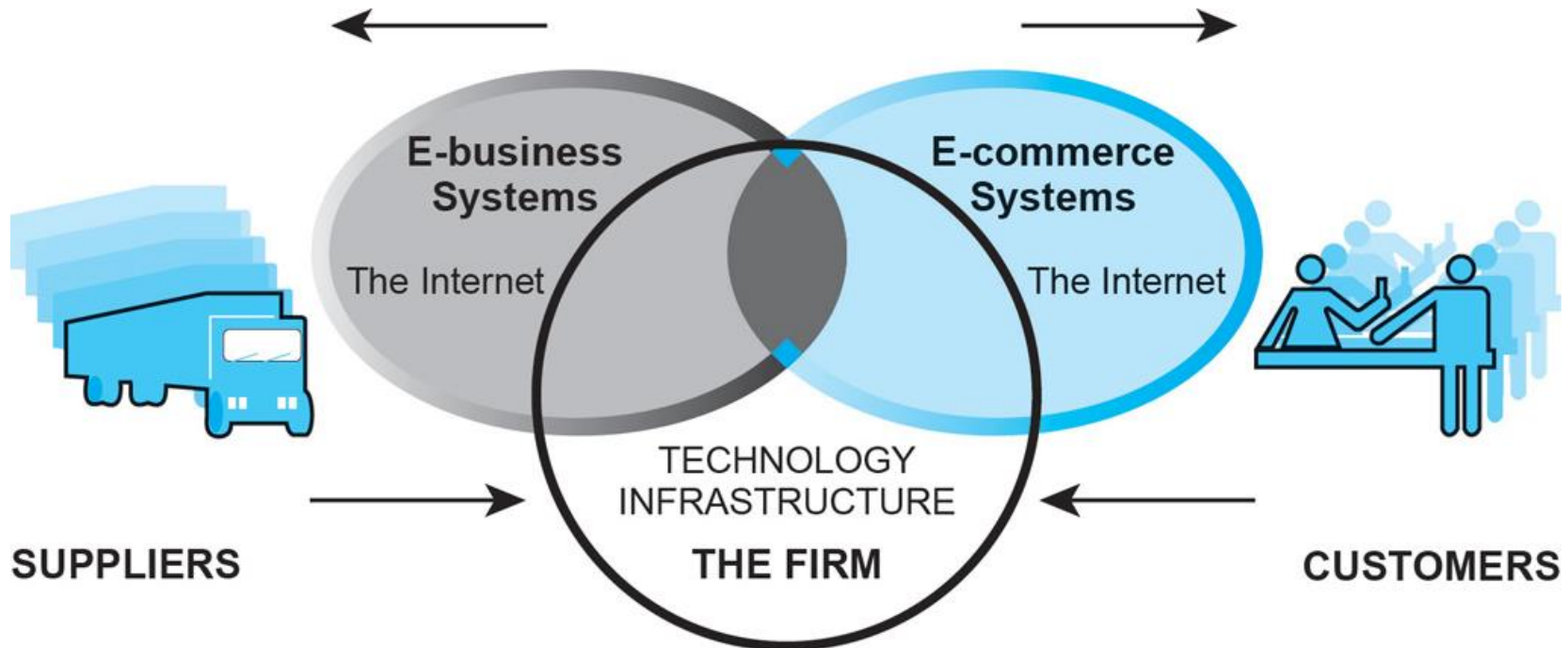
E-commerce vs. E-business

E-business

❖ Digital enabling of transactions and processes within a firm, involving information systems under firm's control

❖ A broader definition of EC that includes not just the buying and selling of goods and services, but also servicing customers, collaborating with business partners, and conducting electronic transactions within an organization.

❖ Does not include commercial transactions involving an exchange of value across organizational boundaries

The Difference between E-Commerce and E-Business

E-business Systems

The Internet

E-commerce Systems

The Internet

TECHNOLOGY INFRASTRUCTURE

THE FIRM

SUPPLIERS

CUSTOMERS

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E-Commerce primarily involves transactions that cross firm boundaries. E-business primarily involves the application of digital technologies to business processes within the firm.

Why Study E-commerce?

- **E-commerce technology is different, more powerful than previous technologies**
- **E-commerce brings fundamental changes to commerce**
- **Traditional commerce:**
  - ❖ Consumer as passive targets
  - ❖ Mass-marketing driven
  - ❖ Sales-force driven
  - ❖ Fixed prices

Eight Unique Features of E-commerce Technology
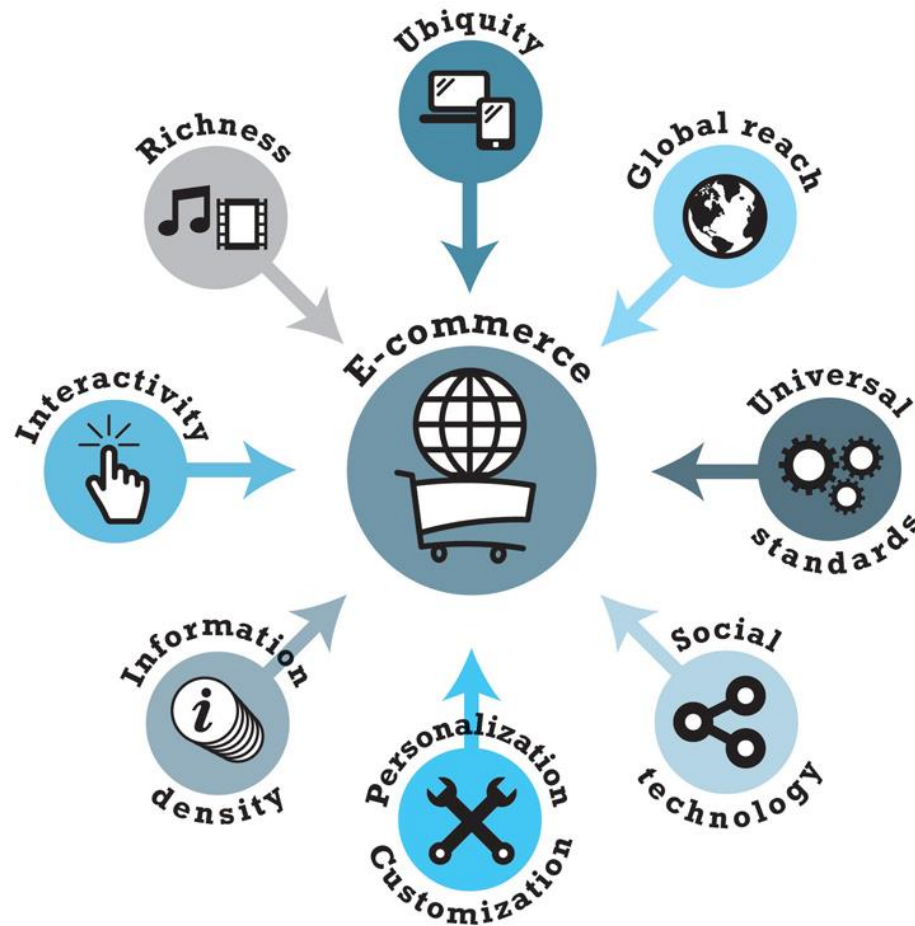
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Eight Unique Features of E-commerce Technology

1. ## Ubiquity:
   - In traditional commerce, a marketplace is a physical place you visit in order to transact.
   - Ubiquity: available just about everywhere, at all times.
   - → marketspace :a marketplace extended beyond traditional boundaries and removed from a temporal and geographic location.
   - Reduces *transaction costs* and lowers *cognitive energy.*

2. ## Global reach:
   - Most traditional commerce is local or regional.
   - EC technology permits commercial transactions to cross cultural, regional, and national boundaries .
   - The potential market size is the world's online population.
   - Global reach: the total number of users or customers an e-commerce business can obtain.

Eight Unique Features of E-commerce Technology

3. ## Universal standards:

   - Technical standards of the Internet are universal standards.
   - Universal standards: standards that are shared by all nations around the world.
   - lower *market entry costs,* reduce *search costs,* and the *price discovery* becomes simpler, faster, and more accurate.

4. ## Information richness:

   - Refers to the complexity and content of a message.
   - Traditional markets have great richness: face-to-face service.
   - EC technologies offering more information richness than traditional media and can adjust the message to individual users.

Eight Unique Features of E-commerce Technology

5. ## Interactivity:

    • It means: technology that allows for two-way communication between merchant and consumer.

    • Interactivity allows an online merchant to engage a consumer in ways similar to a face-to-face experience.

6. ## Information density:

    • Is the total amount and quality of information available to all market participants.

    • EC technologies reduce information collection, storage, and communication costs, and increase the currency and accuracy of information.

    • *Price transparency, cost transparency* and *price discrimination.*

Eight Unique Features of E-commerce Technology

7. Personalization/customization:
   - personalization: merchants can target their marketing messages to specific individuals by adjusting the message to a person's name, interests, and past purchases.
   - Customization: changing the delivered product or service based on a user's preferences or prior behavior.

8. Social technology:
   - User-Generated Content and Social Networks.
   - EC technologies provide a unique, many-to-many model of mass communication.

Eight Unique Features of E-commerce Technology

| E-COMMERCE TECHNOLOGY DIMENSION	BUSINESS SIGNIFICANCE
Ubiquity—Internet/Web technology is available everywhere: at work, at home, and elsewhere via mobile devices, anytime.	The marketplace is extended beyond traditional boundaries and is removed from a temporal and geographic location. "Marketspace" is created; shopping can take place anywhere. Customer convenience is enhanced, and shopping costs are reduced.
Global reach—The technology reaches across national boundaries, around the earth.	Commerce is enabled across cultural and national boundaries seamlessly and without modification. "Marketspace" includes potentially billions of consumers and millions of businesses worldwide.
Universal standards—There is one set of technology standards, namely Internet standards.	There is a common, inexpensive, global technology foundation for businesses to use.
Richness—Video, audio, and text messages are possible.	Video, audio, and text marketing messages are integrated into a single marketing message and consuming experience.
Interactivity—The technology works through interaction with the user.	Consumers are engaged in a dialog that dynamically adjusts the experience to the individual, and makes the consumer a co-participant in the process of delivering goods to the market.
Information density—The technology reduces information costs and raises quality.	Information processing, storage, and communication costs drop dramatically, while currency, accuracy, and timeliness improve greatly. Information becomes plentiful, cheap, and accurate.
Personalization/Customization—The technology allows personalized messages to be delivered to individuals as well as groups.	Personalization of marketing messages and customization of products and services are based on individual characteristics.
Social technology—User content generation and social networks.	New Internet social and business models enable user content creation and distribution, and support social networks.

Types of E-commerce

■ *May be classified by market relationship or technology*

■ **Business-to-Consumer (B2C)**

■ **Business-to-Business (B2B)**

■ **Consumer-to-Consumer (C2C)**

■ **Mobile e-commerce (M-commerce)**

■ **Social e-commerce**

■ **Local e-commerce**

The Growth of B2C E-commerce World Wide

FIGURE 1.3 — THE WORLDWIDE GROWTH OF B2C E-COMMERCE
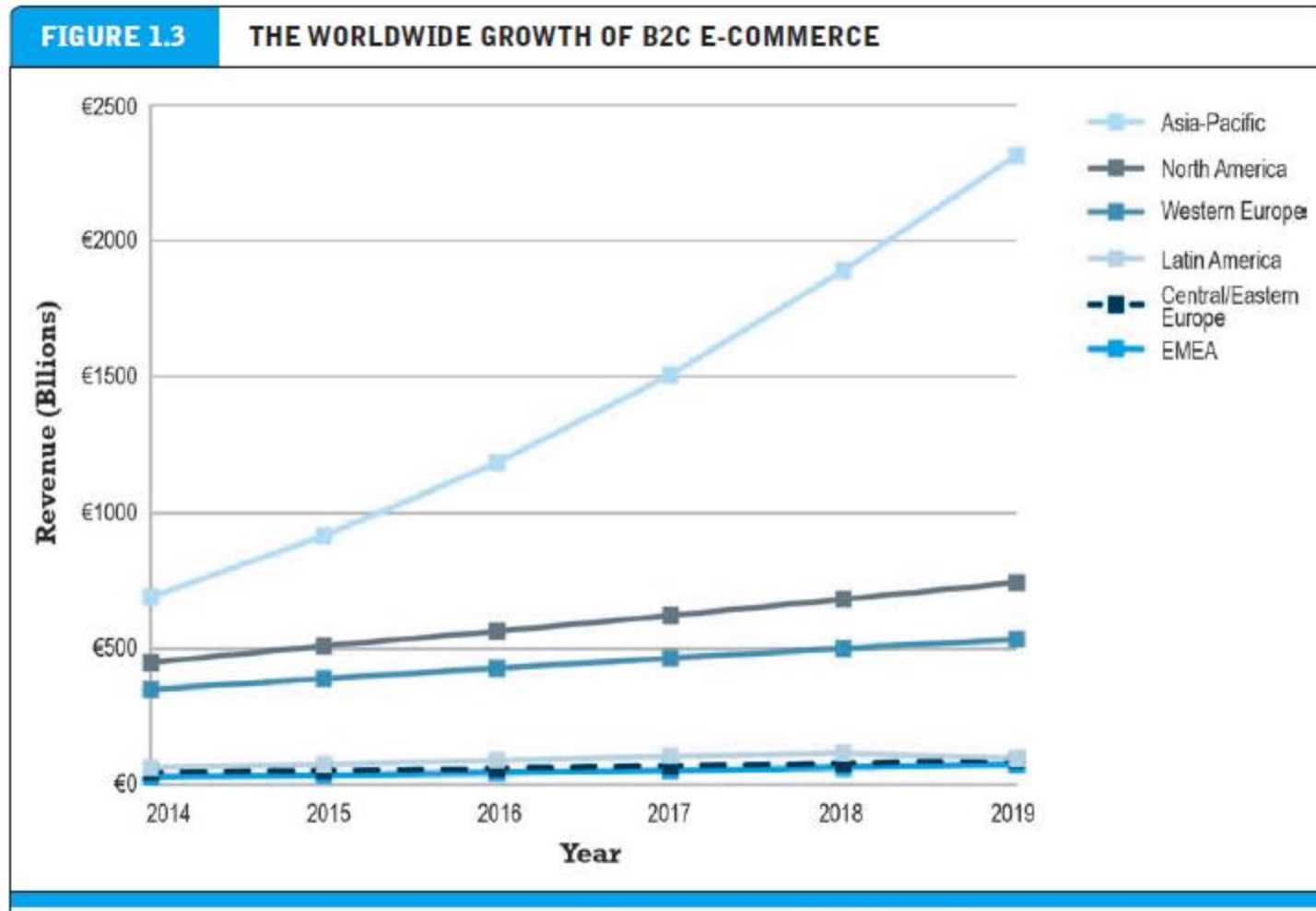
B2C e-commerce is growing rapidly in all regions. Overall global growth is about 25%, and is even higher in Asia-Pacific.

SOURCES: Based on data from eMarketer, Inc., 2015c, 2015d; authors' estimates.

The Growth of B2B E-commerce in the U.S.

Figure 1.4, Page 60
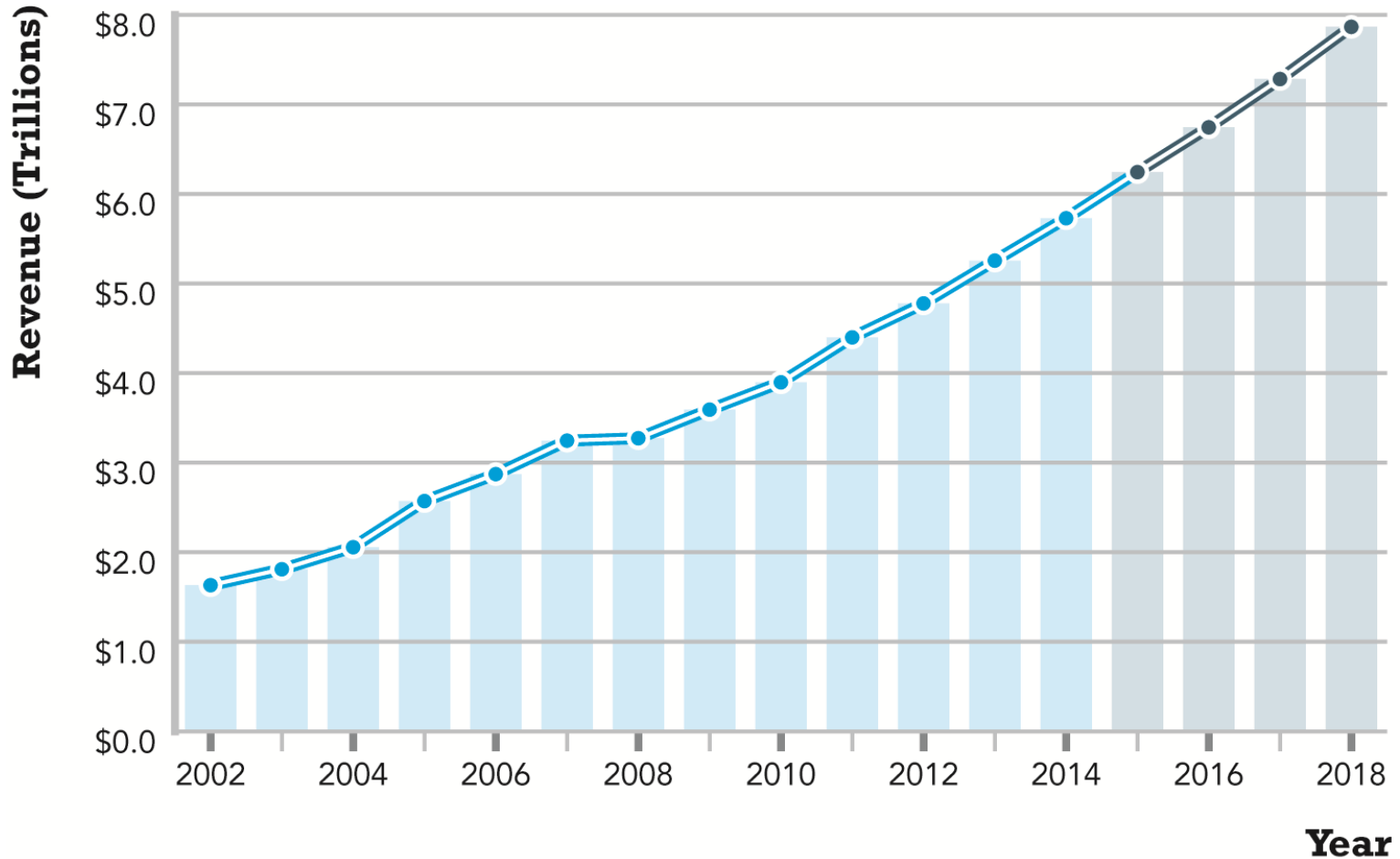
SOURCE: Based on data from U.S. Census Bureau, 2014; authors' estimates.

TYPE OF E-COMMERCE	EXAMPLE
B2C—business-to-consumer	Amazon is a general merchandiser that sells consumer products to retail consumers.
B2B—business-to-business	Go2Paper is an independent third-party marketplace that serves the paper industry.
C2C—consumer-to-consumer	Auction sites such as eBay, and listing sites such as Craigslist, enable consumers to auction or sell goods directly to other consumers. Airbnb and Uber provide similar platforms for services such as room rental and transportation.
M-commerce—mobile e-commerce	Mobile devices such as tablet computers and smartphones can be used to conduct commercial transactions.
Social e-commerce	Facebook is both the leading social network and social e-commerce site.
Local e-commerce	Groupon offers subscribers daily deals from local businesses in the form of Groupons, discount coupons that take effect once enough subscribers have agreed to purchase.

Social $3 billion
Local $4.8 billion
Mobile $80 billion
C2C $100 billion
B2B $5.7 trillion
B2C $470 billion
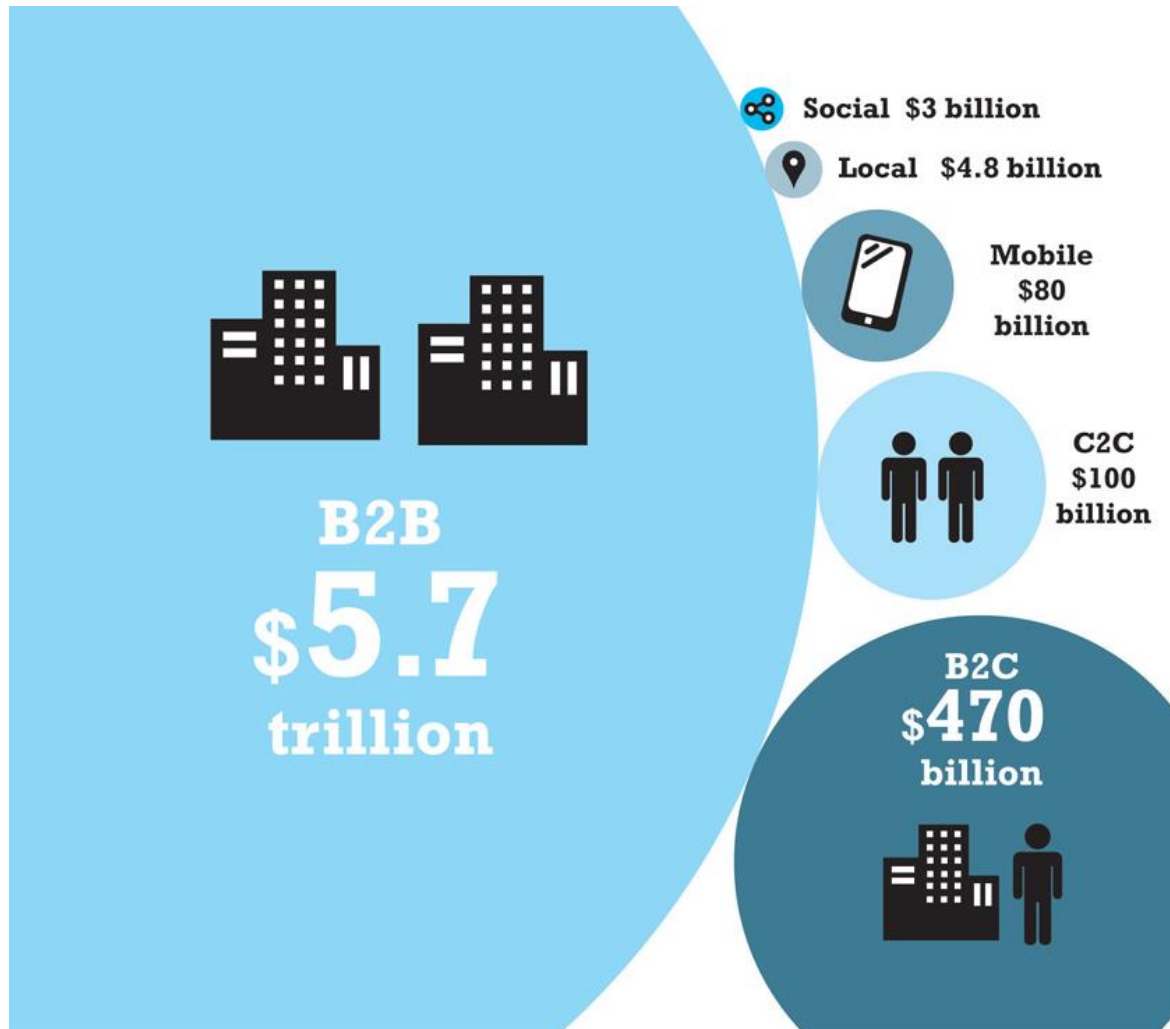
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B2B e-commerce dwarfs all other forms of e-commerce; mobile, social, and local e-commerce, although growing rapidly, are still relatively small in comparison to "traditional" e-commerce.

Will Apps Make the Web Irrelevant?

- **What are the advantages and disadvantages of apps, compared with Web sites, for mobile users?**

- **What are the benefits of apps for content owners and creators?**

- **Will apps eventually make the Web irrelevant? Why or why not?**

Understanding E-commerce: Organizing Themes

- **Technology: Infrastructure**
  - ❖ Development and mastery of digital computing and communications technology

- **Business:**
  - ❖ New technologies present businesses with new ways of organizing production and transacting business

- **Society:**
  - ❖ Intellectual property, individual privacy, public welfare policy

Academic Disciplines Concerned with E-commerce

- **Technical approach**
  - ❖ Computer science:
    - interested in EC as an exemplary application of Internet technology.
  - ❖ Management science:
    - interested in building mathematical models of business processes and optimizing these processes.
  - ❖ Information systems:
    - focus on data mining, search engine design, and artificial intelligence.

Academic Disciplines Concerned with E-commerce

- **Behavioral approach**
  - ❖ Information systems:
    - ▪ interested in implications for firm and industry value chains and industry structure.
  - ❖ Economics:
    - ▪ interested in online consumer behavior, pricing of digital goods, and unique features of digital electronic markets.
  - ❖ Marketing:
    - ▪ interested in marketing, brand development, and online consumer behavior.

Academic Disciplines Concerned with E-commerce

■ **Behavioral approach**

❖ Management:

- focused on challenges faced by young firms who are required to develop organizational structures in short time spans.

❖ Finance/accounting:

- focused on e-commerce firm valuation and accounting practices.

❖ Sociology:

- focused on general population studies of Internet usage and the use of the Web as a social network and group communications tool.