Class Announcements

- Business Paper Proposal Due 10/18
- Database Assignment 1 Due 10/20
- Reading for Tuesday
  - Messerschmitt Ch 4

Database Tutorials

October

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<th>Sun</th>
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All tutorials in Ming Ong PC lab in Merrill Room 103

E-commerce and the Internet

Why E-Commerce Is Different

- Ubiquity
  - Internet/Web technology available everywhere: work, home, and so on, anytime.
- Effect:
  - Marketplace removed from temporal, geographic locations to become "marketspace"
  - Enhanced customer convenience and reduced shopping costs
Unique Features of E-commerce Technology

- **Richness**
  - Supports video, audio, and text messages
  - Effect:
    - Possible to deliver rich messages simultaneously to large numbers
    - Integrated across media

- **Interactivity**
  - Experience dynamically adjusted to the individual
  - Consumer becomes co-participant in process of delivering goods to market

- **Information density**
  - Large in amount and quality of information available to all market participants
  - Effect:
    - Greater price transparency
    - Greater cost transparency
    - Enables merchants to engage in price discrimination

- **Personalization/Customization**
  - Technology permits modification of messages, goods
  - Effect:
    - Personalized messages can be sent to individuals as well as groups.
    - Products and services can be customized to individual preferences.

- **Social technology**
  - The technology promotes user content generation and social networking
  - Effect:
    - New Internet social and business models enable user content creation and distribution, and support social networks.

Key Concepts in E-commerce: Digital Markets and Digital Goods In a Global Marketplace

- Digital markets reduce
  - Information asymmetry
  - Search costs
  - Transaction costs
  - Menu costs

- Digital markets enable
  - Price discrimination
  - Dynamic pricing
  - Disintermediation
Key Concepts in E-commerce: Digital Markets and Digital Goods In a Global Marketplace

- Digital goods
  - Goods that can be delivered over a digital network
  - E.g., music tracks, video, software, newspapers, books
  - Cost of producing first unit almost entire cost of product: marginal cost of producing 2\textsuperscript{nd} unit is about 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 (publishers, record labels, etc.)

Types of E-commerce

- Business-to-consumer (B2C)
- Business-to-business (B2B)
- Consumer-to-consumer (C2C)
- Mobile commerce (m-commerce)

E-commerce Business Models

- Portal
- E-tailer
- Content provider
- Transaction broker
- Market creator
- Service provider
- Community provider

E-commerce Revenue Models

- Advertising
- Sales
- Subscription
- Free/Freemium
- Transaction fee
- Affiliate

Web 2.0, Social Networking, and the Wisdom of Crowds

- Most popular Web 2.0 service: social networking
- Social networking sites sell banner ads, user preference information, and music, videos and e-books.
- Social shopping sites
- Swap shopping ideas with friends (Kaboodle, ThisNext)
- Wisdom of crowds
  - Large numbers of people can make better decisions about topics and products than a single person.
  - Prediction markets: peer-to-peer betting markets on specific outcomes (elections, sales figures, designs for new products)
E-commerce Marketing

- Internet provides marketers with new ways of identifying and communicating with customers.
- Long tail marketing: ability to reach a large audience inexpensively.
- Behavioral targeting: tracking online behavior of individuals on thousands of Web sites.
- Advertising formats include search engine marketing, display ads, rich media, and e-mail.