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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<tr>
<th>Sun</th>
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All tutorials in Ming Ong PC lab in Merrill Room 103
E-Commerce Today

• E-commerce: use of the Internet and Web to transact business; digitally enabled transactions.

• Began in 1995 and grew exponentially; still growing even in a recession.

• Companies that survived the dot-com bubble burst and now thrive.

• E-commerce revolution is still in its early stages.
The Growth of E-Commerce

Figure 9-1
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
Unique Features of E-commerce Technology

• Interactivity
  • Effect:
    • experience dynamically adjusted to the individual
  • Consumer becomes co-participant in process of delivering goods to market
Unique Features of E-commerce Technology

- 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
Unique Features of E-commerce Technology

• 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.
Unique Features of E-commerce Technology

- 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
The Benefits of Disintermediation to the Consumer

```
Manufacturer → Distributor → Retailer → Customer

Manufacturer → Retailer → Customer

Manufacturer → Customer
```

Cost per Sweater

- $48.50
- $40.34
- $20.45

**Figure 9-2**

9.13

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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 2nd 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)
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.
How an Advertising Network Works

- Consumer requests Web page from ad network member site
- Ad server selects and serves an appropriate banner ad based on profile
- Merchant server connects to DoubleClick ad server
- DoubleClick follows consumer from site to site through use of Web bugs
- Ad server reads cookie; checks database for profile
- User Profile Database
- Network Member Firms
- DoubleClick.Net

E-commerce: Business and Technology

Chapter 9 E-Commerce: Digital Markets, Digital Goods