Class Announcements

- Business Paper Proposal Due 4/24
- (Regular) Assignment 2 Due 4/29
- Database Assignment 1 Due 5/1

- Reading for Thursday
  - Messerschmitt Ch 4

E-commerce and the Internet

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.

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

E-commerce and the Internet

- Interactivity
  - Effect: 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
  - Greater price transparency
  - Greater cost transparency
  - Enables merchants to engage in price discrimination

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

Cost per Semester

- Manufacturer → Distributor → Retailer → Customer
  - $48.50
- Manufacturer → Retailer → Customer
  - $40.34
- Manufacturer → Customer
  - $35.49

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/Fremium
- Transaction fee
- Affiliate