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.
The Growth of E-Commerce

Figure 9-1

Revenue (Billions)

Year


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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
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

Figure 9-2
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/Fremium
- Transaction fee
- Affiliate