Class Announcements

- Database Assignment 1 Due 2/3
- (regular) Assignment 3: Due 2/5
- Midterm: 2/10

1 more Access Tutorial!

- TODAY (Thursday 1/29)
- Oakes 205
- 4:30 - 6:00 PM

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

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)
Networked Computing in direct Procurement

- History predates Internet
- **Electronic Data Interchange (EDI)**
  - Exchange order information between firms involved in direct procurement
  - Usually large firms who could afford proprietary communication links
  - Initially order and invoice
  - Existed since 70’s

**Business-to-Business Electronic Commerce: New Efficiencies and Relationships**

- **Electronic data interchange (EDI)**
  - Major industries have EDI standards that define structure and information fields of electronic documents for that industry.
  - More companies increasingly moving away from private networks to Internet for linking to other firms.