1 more Access Tutorial!

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

- Database Assignment 1 Due 2/3

- (regular) Assignment 3: Due 2/5

- Midterm: 2/10
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
E-commerce and the Internet

The Benefits of Disintermediation to the Consumer

- Manufacturer → Distributor → Retailer → Customer
  - Cost per Sweater: $48.50

- Manufacturer → Retailer → Customer
  - Cost per Sweater: $40.34

- Manufacturer → Customer
  - Cost per Sweater: $20.45

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 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.)
E-commerce: Business and Technology

Types of E-commerce

- Business-to-consumer (B2C)
- Business-to-business (B2B)
- Consumer-to-consumer (C2C)
- Mobile commerce (m-commerce)
E-commerce: Business and Technology

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:
  - Sell large number of unique items
  - Relatively few of each item sold
- 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**
  - Consumer requests Web page from ad network member site
  - DoubleClick follows consumer from site to site through use of Web bugs

- **MERCHANT SITE**
  - Merchant server connects to DoubleClick ad server

- **ADVERTISING NETWORK**
  - Ad server reads cookie; checks database for profile
  - Ad server selects and serves an appropriate banner ad based on profile
  - DoubleClick follows consumer from site to site through use of Web bugs
  - Network Member Firms
  - User Profile Database

- **DoubleClick.Net**
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.