Chapter 1

Overview of Electronic Commerce

OPENING CASE

HOW STARBUCKS IS CHANGING TO A DIGITAL AND SOCIAL ENTERPRISE

STARBUCKS

- largest coffee house chain
- customers drop in, place an order, pay for coffee or other products, consume their choices in the store, and go on about their business.
- turning itself into a digital and social company
- free Wi-Fi Internet access
- become a truly tech-savvy company

The Problem

- operating income
  - declined sharply(2007--2009)
- Competition (Roasters)

- to solve the problem ??????

Going Digital and Social

- CEO and major executives come from pure technology companies

- the company resorted to electronic commerce

- senior executive with the title of Chief Digital Officer to oversee its digital activities
  - Group to conduct the technical implementation and maintenance

The Electronic Commerce Initiatives

- Online Store

- The eGift Card Program (Starbucks' card or to a Starbucks electronic gift card)

- Loyalty Program (My Starbucks Rewards)

- Mobile Payments - 25% (2016)

- Social Media Projects

- Exploiting Collective Intelligence – crowdsourcing
  - employees can make suggestions for improvements, vote for the suggestions, ask questions, collaborate on projects, and express their complaints and frustrations.

- MORE

The Result

- In 2010, its operating income almost tripled ($1.437 billion versus $560 million in 2009) and more

- :

- By 2017, sales increase sharply.

LESSONS LEARNED FROM THE CASE

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Learning Objectives

1. Define electronic commerce (EC) and describe its various categories.
2. Describe and discuss the content and framework of EC.
3. Describe the major types of EC transactions.
4. Describe the drivers of EC.
5. Discuss the benefits of EC to individuals, organizations, and society.
6. Discuss social computing.
7. Describe social commerce and social software.
8. Understand the elements of the digital world.
9. Describe some EC business models.
10. List and describe the major limitations of EC.

Electronic Commerce: Definitions and Concepts

- **Defining Electronic Commerce**
  - ***Electronic commerce (EC)**
  - using the Internet and other networks (e.g., intranets) to purchase, sell, transport, or trade data, goods, or services

Electronic Commerce: Definitions and Concepts

- **Defining E-Business**
  - o ***E-business**
  - o refers to a broader definition of EC, not just the buying and selling of goods and services but conducting all kinds of business online

Electronic Commerce: Definitions and Concepts

- **Major EC Concepts**
  - **Pure Versus Partial EC**
  - **EC Organizations**
    - Brick-and-mortar
    - Click-and-mortar

Activity	1	2	3	4	5	6	7	8
Ordering, payment	P	D	D	D	D	P	P	P
Order fulfillment	P	D	D	P	P	D	P	D
Delivery (shipment)	P	D	P	P	D	D	D	D
Type of EC	Non-EC	Pure EC	Partial EC					

Legend: *P* physical, *D* digital

Electronic Commerce: Definitions and Concepts

- **Electronic Markets and Networks**

  o e-marketplace: buyers and sellers conduct commercial transactions
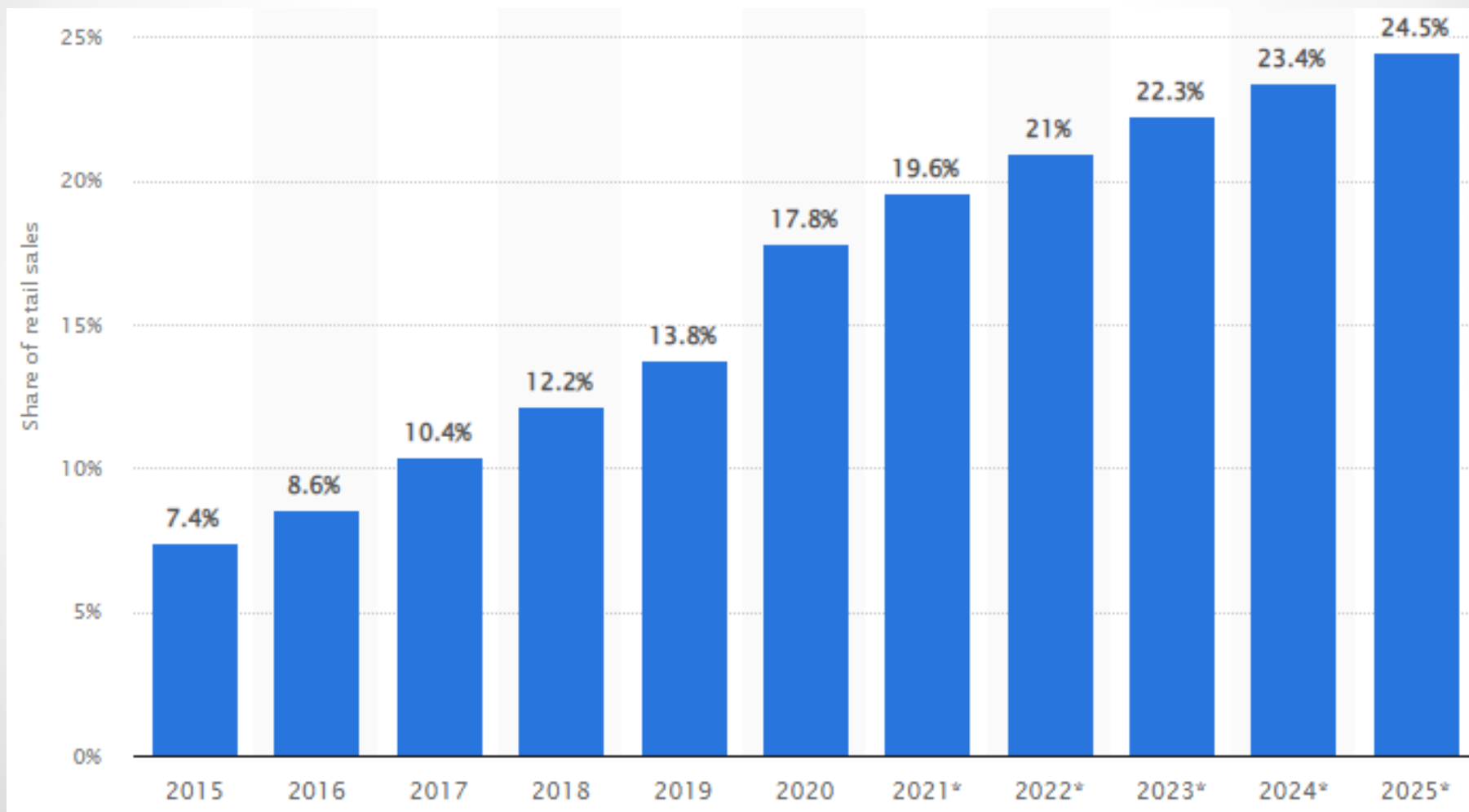
The Electronic Commerce Field: Growth, Content, Classification, and a Brief History

Figure 1.1 E-commerce as percent of total value: (2005–2014)
(**Source: census.gov/content/dam/Census/library/publications/2016/econ/e14-estats.pdf,** accessed Marc

E-commerce as percentage of total retail sales worldwide from 2015 to 2025

E-commerce revenue by country
2018

$636,087m — China
$504,582m — United States
$104,043m — Japan
$86,450m — United Kingdom
$70,345m — Germany
$22,138m — India

A **Framework** for Electronic Commerce

Electronic Commerce Applications
- Direct Marketing • Search Jobs • Online Banking
- E-government • E-purchasing • B2B Exchanges • C-commerce • Social Commerce
- E-learning • M-commerce • Auctions • Travel • Online Publishing • Consumer Services • Collaboration 2.0

People:
Buyers, Sellers, Intermediaries, Service, IS People, and Management

Public Policy:
Taxes, Legal, Privacy Issues, Regulations, Compliance, and Technical Standards

Marketing and Advertisement:
Market Research, Promotions, Web Content, and Targeted Marketing

Support Services:
Order Fulfillment, Logistics, Payments, Content, and Security System Development

Business Partnerships:
Affiliate Programs, Joint Ventures, Exchanges, E-marketplaces, and Consortia

Support Services

(1) Common business services infrastructure (security, smart cards/authentication, electronic payments, directories/catalogs, hardware, peripherals)

(2) Messaging and information distribution infrastructure (EDI, e-mail, hypertext transfer protocol, chat rooms) Web 2.0 tools

(3) Multimedia content and network publishing infrastructure (HTML, JAVA, XML, VRML)

(4) Network infrastructure (telecom, cable TV wireless, Internet, VAN, WAN, LAN, intranet, extranet) access, Wi-Fi, WiMax (cell phones)

(5) Interfacing infrastructure (with databases, business partners applications, Web Services, ERP)

Infrastructure

Management
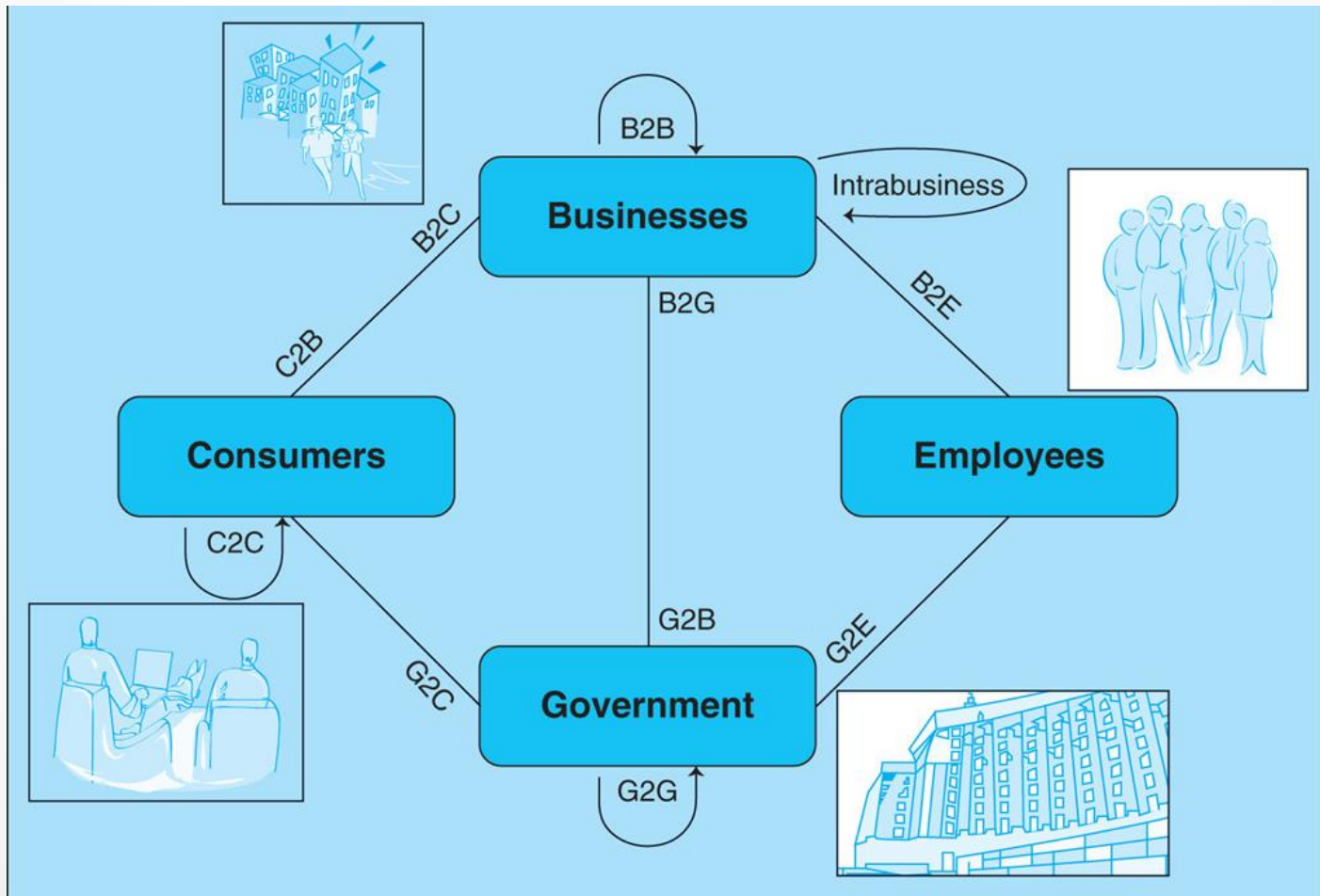
The Electronic Commerce Field: Growth, Content, Classification, and a Brief History

- **Classification of EC by the Nature of the Transactions and the Relationships Among Participants**
  - o ***Business-to-Business (B2B)** 85% - DELL
  - o ***Business-to-Consumer (B2C) -** e-tailing
  - o ***Business-to-Business-to-Consumer (B2B2C)**
  - o ***Consumer-to-Business (C2B)**
    - request bids on products or services
    - Priceline.com
  - o ***Intrabusiness EC**
  - o ***Business-to-Employees (B2E)**
  - o ***Consumer-to-Consumer (C2C)**
  - o ***Collaborative Commerce**
    - parties working to attain the same goal.
  - o ***E-Government**
    - G2B, G2C, G2G

Categories of Transactions in E-Commerce

The Electronic Commerce Field: Growth, Content, Classification, and a Brief History

- **EC Failures**
  - began to fail
    - **E-talling**: Drkoop, MarchFirst, eToys, and Boo
    - **B2B**: Webvan, Chemdex, Ventro, and VerticalNet.
  - 62% of dot-coms lacked financial skills and 50% had little experience with marketing.
  - failed to have satisfactory order fulfillment and enough inventory to meet the fluctuating and increasing demand for their products.
  - dot-com failure rate is declining sharply
  - experiencing consolidation
  - expanding operations and generating increased sales