Chapter 1

The Revolution Is Just Beginning

MySpace and Facebook: It's All About You
Class Discussion

- What was the idea behind the creation of MySpace?

- How is Facebook different from MySpace?

- Have you used MySpace or Facebook, and if so, how often? What was your experience?

- Do you think Facebook will overtake MySpace as the most popular social networking site in the United States?
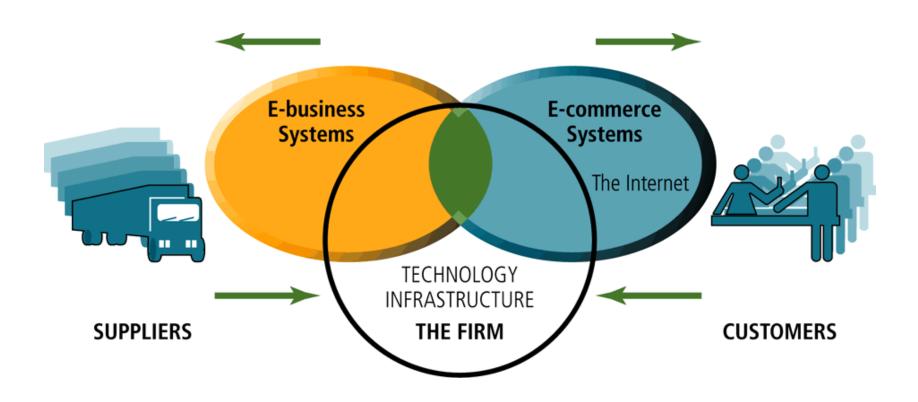
What is E-commerce?

- Involves *digitally enabled commercial transactions* between and among organizations and individuals

    - *Digitally enabled transactions* include all transactions mediated by digital technology

    - *Commercial transactions* involve the exchange of value across organizational or individual boundaries in return for products or services

E-commerce vs. E-business

- E-business:

    - Digital enablement of transactions and processes *within* a firm, involving information systems under firm's control

    - Does not include commercial transactions involving an exchange of value across organizational boundaries

The Difference Between E-commerce and E-Business

Why Study E-commerce?

- E-commerce technology is different and more powerful than any of the other technologies that we have seen in the past century.

- E-commerce brought shift in commerce (transform vs. shape)

- E-commerce has challenged much traditional business thinking (mass marketing, sales force-driven, passive trapped consumers, information asymmetry vs. price competitiveness, one national price vs. dynamic pricing, huge production vs. customization & personalization)

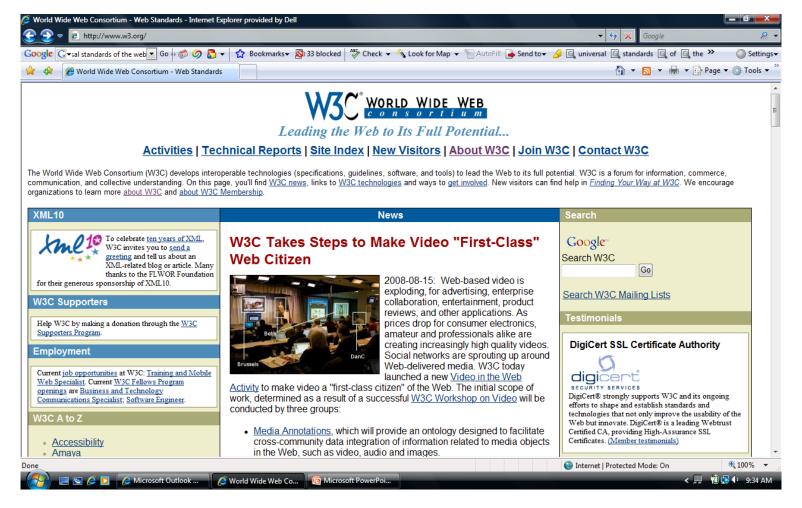- E-commerce has a number of unique features

Unique Features of E-commerce Technology

- Ubiquity (anywhere/anytime)
- Global Reach (no boundaries)
- Universal Standards (common standards)
- Richness (video/audio/text)
- Interactivity (technology interacts with user)
- Information Density (reduces information cost/raises quality)
- Personalization (personal messages on mass level) /customization (user preference)
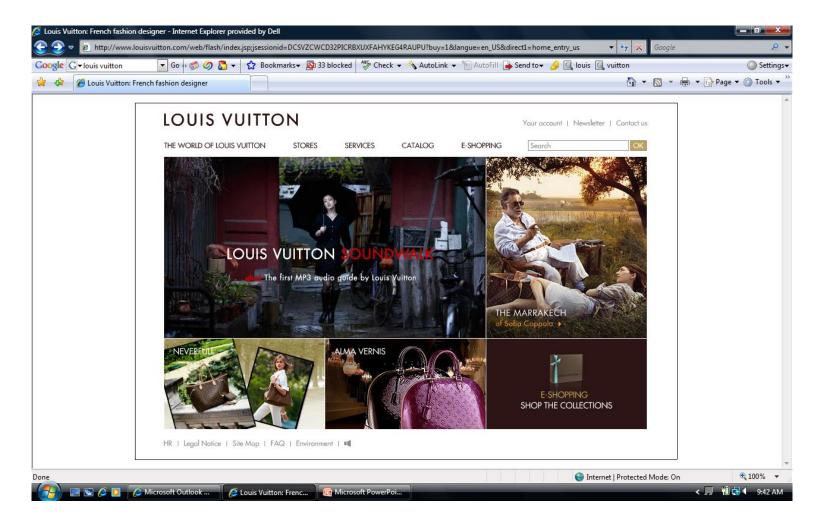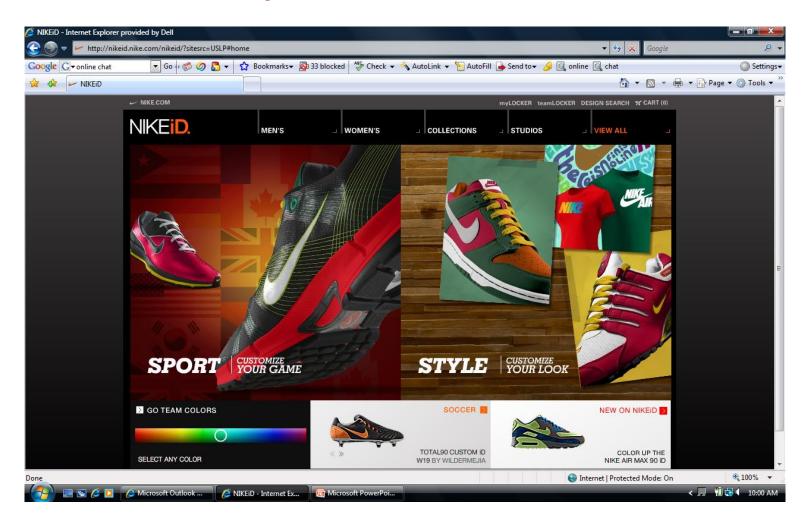- Social Technology (content generation/social networks)

Global Reach

Universal Standards

Richness

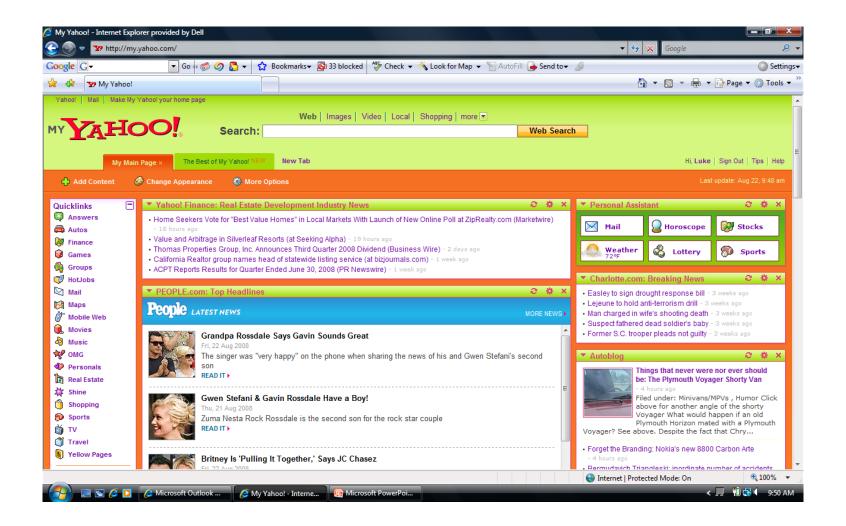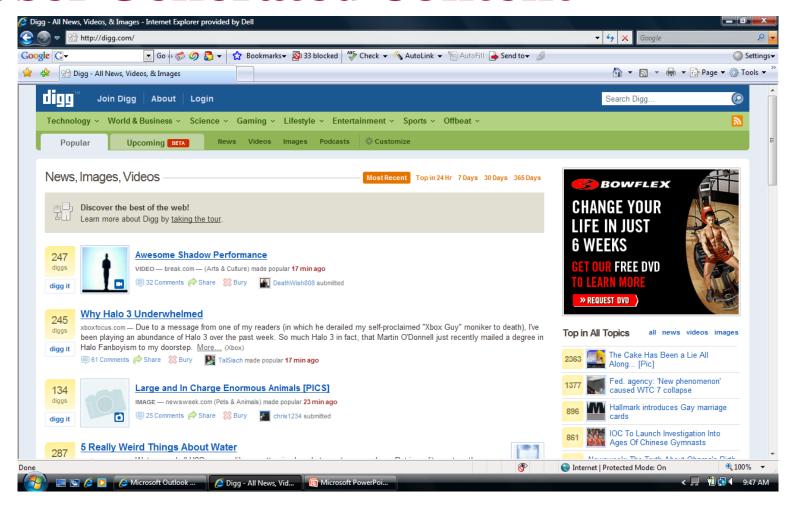# Interactivity
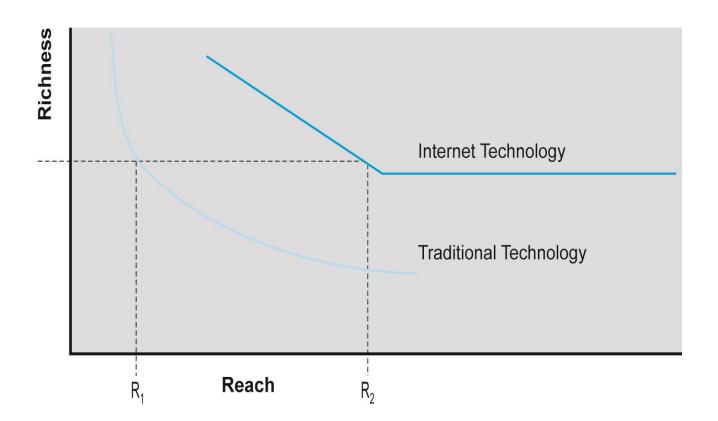
Personalization

User Generated Content
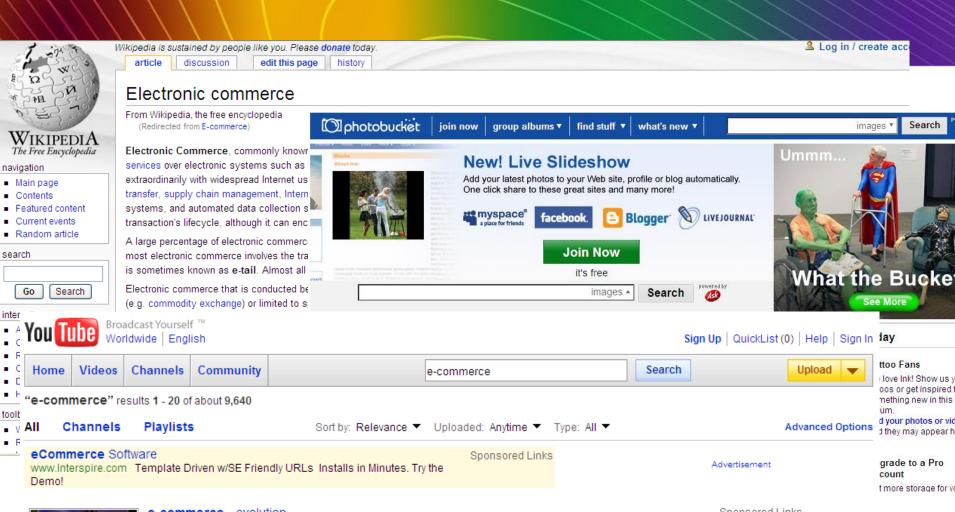
Web 2.0

- The "new" Web
- Applications and technologies that allow users to:
  - create, edit, and distribute content
  - share preferences, bookmarks, and online personas
  - participate in virtual lives
  - Build online communities
- Examples
  - YouTube, Photobucket, Flickr
  - MySpace, Facebook, LinkedIn
  - Second Life
  - Wikipedia

Web2.0 features

- Depend on user to create content (consumer-generated content)
- Easy research capability
- Highly interactive
- Depend on broadband connectivity
- Marginally profitable
- Attract large audience
- Opportunities for targeted marketing and advertising

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Electronic commerce

From Wikipedia, the free encyclopedia
(Redirected from E-commerce)

Electronic Commerce, commonly know...
services over electronic systems such as...
extraordinarily with widespread Internet us...
transfer, supply chain management, Intern...
systems, and automated data collection s...
transaction's lifecycle, although it can enc...

A large percentage of electronic commerc...
most electronic commerce involves the tra...
is sometimes known as **e-tail**. Almost all...

Electronic commerce that is conducted be...
(e.g. commodity exchange) or limited to s...

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Types of E-commerce

- Classified by nature of market relationship

    - Business-to-Consumer (B2C)

    - Business-to-Business (B2B)

    - Consumer-to-Consumer (C2C)

- Classified by type of technology used

    - Peer-to-Peer (P2P)
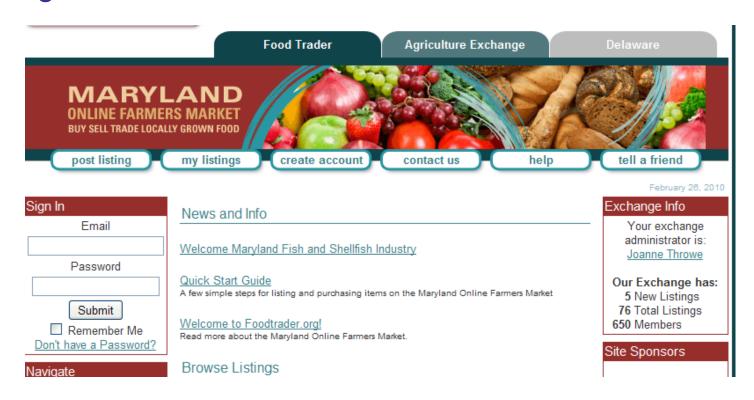
    - Mobile commerce (M-commerce)

Business-to-Consumer E-commerce

- Most commonly discussed type
- Online businesses attempt to reach individual consumers

Business-to-Business E-commerce

- Businesses focus on sell to other businesses
- Largest form of e-commerce

Consumer-to-Consumer E-commerce

- Provide a way for consumers to sell to each other

- Consumer:
  - prepares the product for market
  - places the product for auction or sale
  - relies on market maker to provide catalog, search engine, and transaction clearing capabilities

Peer-to-Peer E-commerce

■ Enables Internet users to share files and computer resources without having to go through a central Web server.

Mobile E-commerce

- Wireless digital devices enable transactions on the Web
- Uses personal digital assistants (PDAs) to connect
- Used most widely in Japan and Europe

Potential Limitations on the Growth of B2C E-commerce

- Expensive technology - Although currently a limitation, may become less so as prices of entry-level PCs fall

- Sophisticated skill set - This limitation may recede as PC operating system evolves, becomes more simple

- Persistent cultural attraction of physical markets and traditional shopping experiences

- Persistent global inequality limiting access to telephones and computers

E-Commerce :1995-2000

- For computer scientist and information technologists
  - Vindication of a set of information technologies developed over 40 years
  - Extending from the early Internet to the PC and local area networks
  - The vision of universal communications

E-Commerce :1995-2000

- For economists
  - Raised realistic prospect of perfect competitive market
    - where price, cost, and quality information is equally distributed
    - where a nearly infinite set of suppliers compete against one another
    - where customers have access to all relevant market information worldwide
  - Merchants have equal direct access to hundreds of millions of customers

E-Commerce :1995-2000

- Disintermediation: displacement of market middlemen who traditionally are intermediaries between producers and consumers by a new direct relationship between manufacturers and content originators with their customers

E-Commerce :1995-2000

- Friction-free commerce: a vision of commerce in which:
    - information is equally distributed
    - transaction costs are low
    - prices can be dynamically adjusted to reflect actual demand
    - intermediaries decline
    - unfair competitive advantages are eliminated

E-Commerce :1995-2000

- First mover: a firm that is first to market in a particular area and that moves quickly to gather market share

- Network effect: occurs where users receive value from the fact that everyone else uses the same tool or product

E-commerce: 1995−2000

- Computer scientists: Envisioned an inexpensive, universal communications and computing environment accessible by all

- Economists: A nearly perfect competitive market and friction-free commerce

- For entrepreneurs: An extraordinary opportunity to earn far above normal returns on investment

E-commerce: 2000-2006

- Emphasis shifted to a more business driven approach rather than technology driven.
- Large traditional firms learned how to use the web to strengthen their market position
- Brand extension

E-commerce: 2006-present

- ■ It involves the extension of new business models based on consumer generated content, social networking and virtual online lives.

Evolution of e-commerce

1995 - 2000	2001-2006	2006-Future
Technology-driven	Business-driven	Audience, customers & community driven
Revenue growth emphasis	Earnings & profit emphasis	Audience & social network growth emphasis
Venture Capital financing	Traditional financing	Smaller VC investment, early small form buyout by large online player
Ungoverned	Stronger regulation & governance	Extensive government surveillance
Entrepreneurial	Large traditional firms	Large pure web-based firms
Disintermediation	Strengthening intermediaries	Proliferation of small online intermediaries renting business processes of larger firms

Evolution of e-commerce

1995 - 2000	2001-2006	2006-Future
Perfect market	Imperfect markets, brands & network effect	Continuation of online market imperfections; commodity competition in select markets
Pure online strategies	Mixed "bricks & clicks" strategies	Return of pure online strategies in new markets; extension of brocks & clicks in traditional retail markets
First mover advantage	Strategic follower strength, complimentary assets	First-mover advantages return in new markets as traditional web players catch up
Low complexity retail products	High complexity retail products	Services

Assessing E-commerce: Successes, Surprises and Failures

■ Stunning technological success

■ A mixed success from business perspective

■ Many early visions not fulfilled

    ■ Friction-free commerce

        ■ Consumers less price-sensitive than expected

        ■ Considerable price dispersion remains

    ■ Perfect competition

        ■ Transaction costs still high
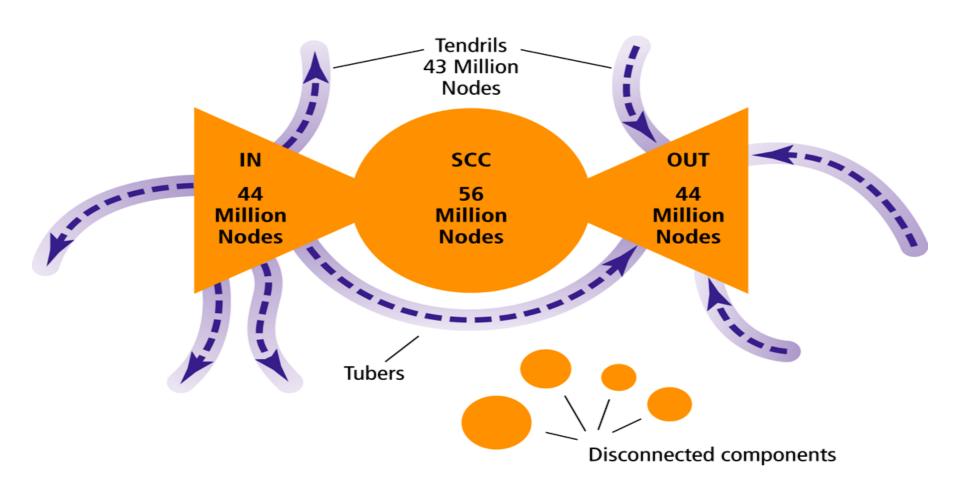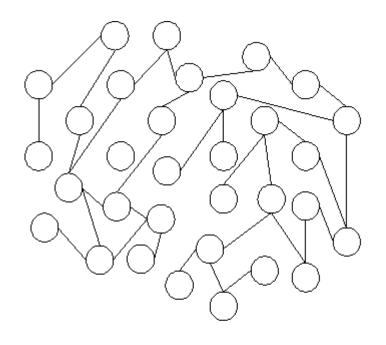
        ■ Intermediaries remain

Insight on Society
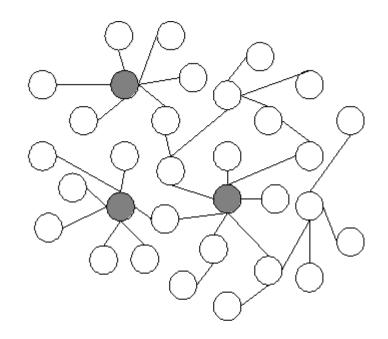# Holding On to Your Privacy Online
Class Discussion

- What techniques of privacy invasion are described in the case?

- Which of these techniques is the most privacy-invading? Why?

- Is the Internet and e-commerce any different than traditional markets with respect to privacy? Don't merchants always want to know their customer?

- How do you protect your privacy on the Web?

Insight on Technology:
Spider Webs, Bow Ties, Scale-Free Networks, and the Deep Web
Class Discussion

- What is the "small world" theory of the Web?

- What is the significance of the "bow-tie" form of the Web?

- Why does Barabasi call the Web a "scale-free network" with "very connected super nodes"?

(a) Random network　　(b) Scale-free network