

10-1.What are the unique features of e-commerce, digital markets, and digital goods?

- Name and describe four business trends and three technology trends shaping e-commerce today.

Business Trends:

1. Social Networking - this contributes to a massive online audience that is attractive to marketers.
2. Online Advertising - grows twice as fast as TV and print advertising
3. Online Newspapers and Traditional Media - have adopted to interactive models and some have made their service subscription-based.
4. Online Entertainment Business Models - They offer television, movies, music, sports, and eBooks in cooperation with the major copyright owners.

Technology:

Social commerce - is the use of social networks (Facebook, Etsy, Ebay) in the context of e-commerce transactions.

Mobile commerce - the use of wireless devices to conduct both business to consumer and business to business e-commerce transactions over the Internet.

Local Commerce - Using GPS-enabled devices to provide location-specific services to consumers.

- List and describe the eight unique features of e-commerce.

1. **Ubiquity:** E-commerce is ubiquitous, meaning that it is available just about everywhere all the time. It makes it possible to shop from your desktop, at home, at work, or even from your car, using smartphones. From a consumer point of view, ubiquity reduces transaction costs —the costs of participating in a market. To transact business, it is no longer necessary for you to spend time or money traveling to a market, and much less mental effort is required to make a purchase.
2. **Global Reach:**E-commerce technology permits commercial transactions to cross cultural and national boundaries far more conveniently and cost effectively than is true in traditional commerce.
3. **Universal Standards :** One strikingly unusual feature of e-commerce technologies is that the technical standards of the Internet and, therefore, the technical standards for conducting e-commerce are universal standards. All nations around the world share them and enable any computer to link with any other computer regardless of the technology platform each is using. The universal technical standards of the Internet and e-commerce greatly lower market entry costs —the cost merchants must pay simply to bring their goods to market. At the same time, for consumers, universal standards reduce search costs —the effort required to find suitable products.
4. **Richness:** Information richness refers to the complexity and content of a message.The web makes it possible to deliver rich messages with text, audio, and video simultaneously to large numbers of people.
5. **Interactivity:** e-commerce technologies are interactive, meaning they allow for two-way communication between merchant and consumer and peer-to-peer communication among friends. Interactivity allows an online merchant to engage a consumer in ways similar to a face-to-face experience but on a massive, global scale.

6. **Information Density:** The Internet and the web vastly increase information density—the total amount and quality of information available to all market participants, consumers, and merchants alike. E-commerce technologies reduce information collection, storage processing, and communication costs while greatly increasing the currency, accuracy, and timeliness of information.
 7. **Personalization/Customization :** E-commerce technologies permit **personalization** . Merchants can target their marketing messages to specific individuals by adjusting the message to a person's clickstream behavior, name, interests, and past purchases. The technology also permits **customization** —changing the delivered product or service based on a user's preferences or prior behavior. With the increase in information density, a great deal of information about the consumer's past purchases and behavior can be stored and used by online merchants.
 8. **Social Technology:** the Internet and e-commerce technologies have evolved to be much more social by allowing users to create and share with their friends (and a larger worldwide community) content in the form of text, videos, music, or photos. By using these forms of communication, users can create new social networks and strengthen existing ones.
- Define a digital market and digital goods and describe their distinguishing features.

DIGITAL MARKET: The Internet has created a digital marketplace where millions of people all over the world can exchange massive amounts of information directly, instantly, and free.

1. **Information Asymmetry:** An information asymmetry exists when one party in a transaction has more information that is important for the transaction than the other party. That information helps determine their relative bargaining power. In digital markets, consumers and suppliers can see the prices being charged for goods, and in that sense, digital markets are said to be more transparent than traditional markets.
2. **Search Costs:** Digital markets are very flexible and efficient because they operate with **reduced** search costs
3. **Transaction Cost:** Digital markets are very flexible and efficient because they operate with **reduced** transaction costs
4. **Delayed gratification: increased (or decreased in case of a digital good)**
5. **Menu Costs: Low**
6. **Dynamic Pricing:** In dynamic pricing , the price of a product varies depending on the demand characteristics of the customer or the supply situation of the seller.
7. **Price Discrimination: greater** price discrimination,
8. **Market segmentation:**
9. **Switching Costs:** These new digital markets can either reduce or increase switching costs, depending on the nature of the product or service being sold, and they might cause some extra delay in gratification due to shipping times. Unlike a physical market, you can't immediately consume a product such as clothing purchased over the web

(although immediate consumption is possible with digital music downloads and other digital products).

10. Network Effects: Strong

11. Disintermediation: The removal of organizations or business process layers responsible for intermediary steps in a value chain is called **disintermediation**.

E-commerce has also given rise to a completely new set of new intermediaries such as Amazon, eBay, PayPal, and Blue Nile. Therefore, disintermediation differs from one industry to another. Disintermediation is affecting the market for services. Airlines and hotels operating their own reservation sites online earn more per ticket because they have eliminated travel agents as intermediaries.

DIGITAL GOODS: goods that can be delivered over a digital network. Music tracks, video, Hollywood movies, software, newspapers, magazines, and books can all be expressed, stored, delivered, and sold as purely digital products.

1. **Marginal Costs/Unit:** zero, for digital goods, the marginal cost of producing another unit is about zero (it costs nothing to make a copy of a music file).
2. **Cost of Production:** High, the cost of producing the original first unit is relatively high
3. **Copying Cost:** Costs of delivery over the Internet are very low
4. **Distributed Delivery Cost:** Low
5. **Inventory Cost:** Low
6. **Marketing Cost:** marketing costs often remain the same,
7. **Pricing:** pricing can be highly variable.

10-2 What are the principal e-commerce business and revenue models?

- Name and describe the three types of e-commerce.
 - **Business-to-consumer (B2C)** electronic commerce involves retailing products and services to individual shoppers. Amazon, Walmart, and iTunes are examples of B2C commerce. BarnesandNoble.com, which sells books, software, and music to individual consumers, is an example of B2C e-commerce.
 - **Business-to-business (B2B)** electronic commerce involves sales of goods and services among businesses. Elemica's website for buying and selling chemicals and energy is an example of B2B e-commerce.
 - **Consumer-to-consumer (C2C)** electronic commerce involves consumers selling directly to consumers. For example, eBay, the giant web auction site, enables people to sell their goods to other consumers by auctioning their merchandise off to the highest bidder or for a fixed price. eBay acts as a middleman by creating a digital platform for peer-to-peer commerce. Craigslist is the most widely used platform consumers use to buy from and sell directly to others.
- Name and describe the principal e-commerce business models.
1. **Portal:** Portals are gateways to the web and are often defined as those sites that users set as their home page. The portal business model now provides a destination site where users start their web searching and linger to read news, find entertainment, meet other people, and, of course, be exposed to advertising, which provides the revenues to

support the portal. portals generate revenue primarily by attracting very large audiences, charging advertisers for display ad placement (similar to traditional newspapers), collecting referral fees for steering customers to other sites, and charging for premium services.

2. **E-tailer:** Sells physical products directly to consumers or to individual businesses.
3. **Content Provider:** Creates revenue by providing digital content, such as news, music, photos, or video, over the web. The customer may pay to access the content, or revenue may be generated by selling advertising space.

Podcasting is a method of publishing audio or video broadcasts through the Internet, allowing subscribing users to download audio or video files onto their personal computers, smartphones, tablets, or portable music players. **Streaming** is a publishing method for music and video files that flows a continuous stream of content to a user's device without being stored locally on the device.

4. **Transaction Broker:** Saves users money and time by processing online sales transactions and generating a fee each time a transaction occurs.
Sites that process transactions for consumers normally handled in person, by phone, or by mail are transaction brokers. Fidelity Financial Services and Expedia are the largest online financial and travel service firms based on a transaction broker model.
5. **Market Creator:** Market creators build a digital environment in which buyers and sellers can meet, display products, search for products, and establish prices. The value proposition of online market creators is that they provide a platform where sellers can easily display their wares and purchasers can buy directly from sellers. Online auction markets such as eBay and Priceline are good examples of the market creator business model.
6. **Service Provider:** Provides applications such as photo sharing, video sharing, and user-generated content as services; provides other services such as online data storage and backup.
7. **Community Provider:** Community providers are sites that create a digital online environment where people with similar interests can transact (buy and sell goods); share interests, photos, videos; communicate with like-minded people; receive interest-related information; and even play out fantasies by adopting online personalities called avatars .

- Name and describe the e-commerce revenue models.

A firm's revenue model describes how the firm will earn revenue, generate profits, and produce a superior return on investment. six revenue models:

1. **Advertising Revenue model:**

In the advertising revenue model , a website generates revenue by attracting a large audience of visitors who can then be exposed to advertisements. The advertising model is the most widely used revenue model in e-commerce, and arguably, without advertising revenues, the web would be a vastly different experience from what it is now because people would be asked to pay for access to content.

2. Sales Revenue Model:

In the sales revenue model , companies derive revenue by selling goods, information, or services to customers. Micropayment systems provide content providers with cost-effective method for processing high volumes of very small monetary transactions

3. Subscription Revenue Model:

In the subscription revenue model , a website offering content or services charges a subscription fee for access to some or all of its offerings on an ongoing basis. Netflix is one of the most successful subscriber sites with more that 75 million customers worldwide in 2016.

4. Free/Freemium Revenue Model:

In the free/freemium revenue model , firms offer basic services or content for free and charge a premium for advanced or special features.

5. Transaction Fee Revenue Model:

In the transaction fee revenue model , a company receives a fee for enabling or executing a transaction.

6. Affiliate Revenue Model:

In the affiliate revenue model , websites (called affiliate websites) send visitors to other websites in return for a referral fee or percentage of the revenue from any resulting sales. Referral fees are also referred to as lead generation fees. For example, MyPoints makes money by connecting companies to potential customers by offering special deals to its members. When members take advantage of an offer and make a purchase, they earn points they can redeem for free products and services, and MyPoints receives a referral fee.

10-3* How has e-commerce transformed marketing?

- Explain how social networking and the wisdom of crowds help companies improve their marketing.
 - - creating sites where thousands of people can interact offers business firms new ways to market and advertise products and services and to discover who likes or dislikes their products
 - - wisdom of crowds: large number of people can make better decisions about a wide range of topics or products than a single person
 - -actively seeking customer comments builds trust and sends a message to customers that the company cares what they think and that their advice is valuable
- Define behavioral targeting and explain how it works at individual websites and on advertising network

Behavioral targeting refers to tracking the clickstreams (history of clicking behavior) of individuals on thousands of websites to understand their interests and intentions and expose them to advertisements that are uniquely suited to their online behavior.

All websites collect data on visitor browser activity and store it in a database. They have tools to record the site that users visited prior to coming to the website, where these users go when they

leave that site, the type of operating system they use, browser information, and even some location data. They also record the specific pages visited on the particular site, the time spent on each page of the site, the types of pages visited, and what the visitors purchased.

Firms analyze this information about customer interests and behavior to develop precise profiles of existing and potential customers. In addition, most major websites have hundreds of tracking programs on their home pages, which track your clickstream behavior across the web by following you from site to site and re-target ads to you by showing you the same ads on different sites. The leading online advertising networks are Google's DoubleClick, Yahoo's RightMedia, and AOL's Ad Network. Ad networks represent publishers who have space to sell and advertisers who want to market online. The lubricant of this trade is information about millions of web shop-

pers, which helps advertisers target their ads to precisely the groups and individuals they desire. This information enables firms to understand how well their website is working, create unique personalized web pages that display content or ads or products or services of special interest to each user, improve the customer's experience, and create additional value through a better understanding of the shopper (see Figure 10. 4). By using personalization technology to modify the web pages presented to each customer, marketers achieve some of the benefits of using individual salespeople at dramatically lower costs.

- Define the social graph and explain how it is used in e-commerce marketing.

social graph , a mapping of all significant online social relationships. The social graph is synonymous with the idea of a social network used to describe offline relationships.

How it is used in e-commerce marketing:

1. Newsfeed:
2. Timeline
3. Social Sign -on
4. Collaborative Shopping
5. Network notification
6. Social Search

10-4* How has e-commerce affected business-to-business transactions?

- Explain how Internet technology supports business-to-business electronic commerce.

- business 2 business transactions can occur through a companies website
- websites make it easier to sell and buy direct and indirect goods over the Internet
- compare suppliers, products, and prices, and ask other opinions on products
- because of the ease and efficiency brought by the internet, B2B participants can a significant amount of money and time

- Define and describe Net marketplaces and explain how they differ from private industrial networks (private exchanges).

Net marketplaces, which are sometimes called e-hubs, provide a single, digital marketplace based on Internet technology for many buyers and sellers. They are industry-owned or operate as independent intermediaries between buyers and sellers. Net marketplaces generate revenue from purchase and sale transactions and other services provided to clients. Participants in Net marketplaces can establish prices through online negotiations, auctions, or requests for quotations, or they can use fixed prices.

Private industrial networks typically consist of a large firm using a secure website to link to its suppliers and other key business partners. The buyer owns the network, and it permits the firm and designated suppliers, distributors, and other business partners to share product design and development, marketing, production scheduling, inventory management, and unstructured communication, including graphics and e-mail. Another term for a private industrial network is a **private exchange**.

10.5 -What is the role of m-commerce in business, and what are the most important m-commerce applications?

- Explain why m-commerce is the fastest-growing type of B2C e-commerce.

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- Describe the different types of location-based services and applications.

A geosocial service can tell you where your friends are meeting.

Geoadvertising services can tell you where to find the nearest Italian restaurant,

geoinformation services can tell you the price of a house you are looking at or about special exhibits at a museum you are passing.

10-6* What issues must be addressed when building an e-commerce presence?

- List and describe the four types of e-commerce presence

Building a successful e-commerce presence requires a keen understanding of business, technology, and social issues as well as a systematic approach. The two most important management challenges in building a successful e-commerce presence are

- (1) developing a clear understanding of your business objectives and
- (2) knowing how to choose the right technology to achieve those objectives.

Four types of E-commerce presence:

1. Web Sites:
 - a. Platform:
 - i. Traditional
 - ii. Mobile

- iii. Tablet
 - b. Activity:
 - i. Search
 - ii. Display
 - iii. Apps
 - iv. Affiliates sponsorships
- 2. Email:
 - a. Platform:
 - i. Internal lists
 - ii. purchased lists
 - b. Activity:
 - i. Newsletter
 - ii. Update
 - iii. Sales
- 3. Social Media:
 - a. Platform:
 - i. Facebook
 - ii. Twitter
 - iii. Blogs
 - b. Activity
 - i. Conversation
 - ii. Engagement
 - iii. Sharing
 - iv. Advice
- 4. Offline Media:
 - a. Platform:
 - i. Print
 - ii. TV
 - iii. Radio
 - b. Activity:
 - i. Education
 - ii. Exposure
 - iii. Branding