



MIS, 11e

Module 8: E-Commerce

Module Objectives

By the end of this module, you should be able to:

- 8.1 Define e-commerce and its advantages, disadvantages, and business models.
- 8.2 Explain the major categories of e-commerce.
- 8.3 Describe the five major activities of the business-to-consumer e-commerce cycle.
- 8.4 Summarize the four major models of business-to-business e-commerce
- 8.5 Describe mobile-based and voice-based e-commerce.
- 8.6 Explain four supporting technologies for e-commerce.
- 8.7 Explain social commerce and the reasons for its popularity.
- 8.8 Explain hypersocial organizations and their growing popularity.

Defining E-Commerce and E-Business

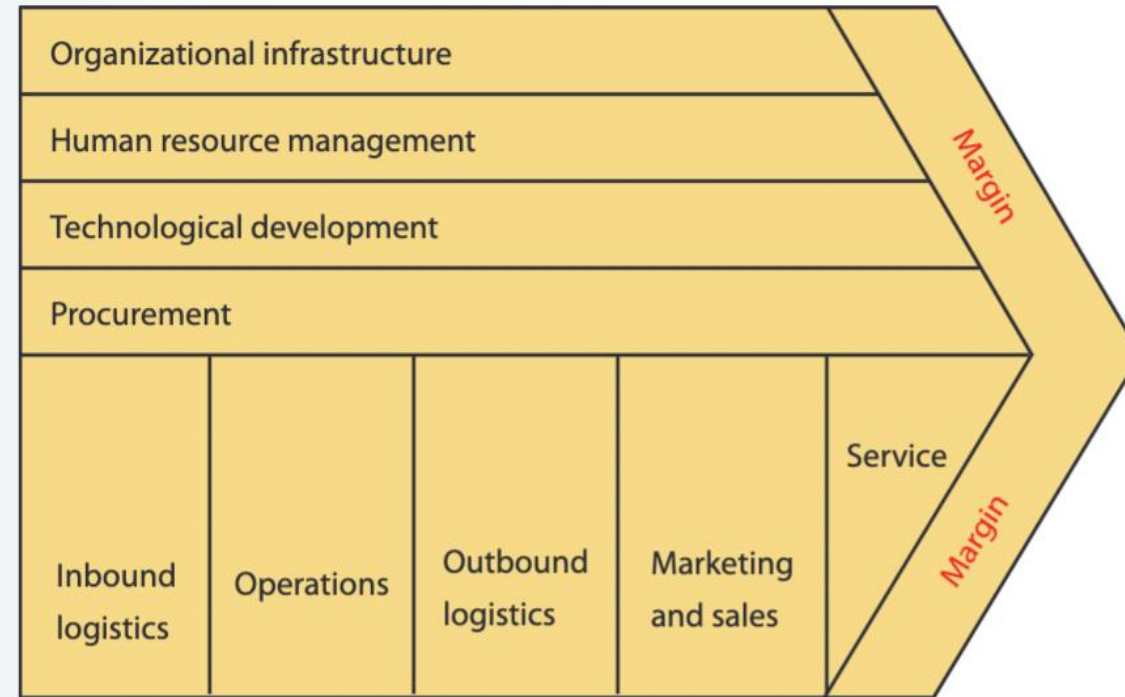
- **E-business** is all the activities a company performs in buying and selling products and services using computers and communication technologies.
 - Can include activities like online shopping, sales force automation, supply chain management, e-procurement, electronic payment systems, web advertising, and order management
- **E-commerce** is buying and selling goods and services over the Internet.
 - Focuses on the buying and selling goods and services over the Internet

Value Chain and E-Commerce

- The **value chain** is a series of activities designed to meet business needs by adding value or cost in each phase
- The four supporting activities of the value chain
 1. Organization infrastructure
 2. Human resource management
 3. Technological development
 4. Procurement
- The margin represents the value added by supporting the primary activities which consists of the following:
 - Inbound logistics
 - Operations
 - Outbound logistics
 - Marketing and sales
 - Service

Michael Porter's Value Chain

Michael Porter's value chain



<https://www.youtube.com/watch?v=g8p2H7EvoGM>

<https://www.youtube.com/watch?v=SI5lYaZaUlg>

E-Commerce vs Traditional Commerce

Table 8.1 E-Commerce versus Traditional Commerce

Activity	Traditional Commerce	E-Commerce
Product information	Magazines, flyers	Web sites, online catalogs
Business communication	Regular mail, phone calls	E-mail
Checking product availability	Phone calls, faxes, and letters	E-mail, Web sites, and extranets
Order generation	Printed forms	E-mail, Web sites
Product acknowledgments	Phone calls, faxes	E-mail, Web sites, and electronic data interchange (EDI)
Invoice generation	Printed forms	Web sites

E-Commerce

Advantages

- Creating price transparency
- Ability to operate globally
- Gather information about customers
- Improve customer service
- Offer personalized services
- Reduce administration and transaction costs

Disadvantages

- Limited bandwidth in certain areas of the world
- Security and privacy issues
- Accessibility to the Internet
- Acceptance to use the Internet for transactions

E-Commerce Business Models

- Focus on different parts of the value chain
- Traditional e-commerce models are an extension of a traditional business model
- Types of e-commerce business models include
 - **Merchant model:** transfers old retail model to e-commerce
 - **Brokerage model:** brings sellers and buyers together on the Web
 - **Advertising model:** extension of traditional advertising
 - **Mixed model:** generating revenue from more than one source
 - **Infomediary:** collect information on consumers or businesses and sell it to other companies
 - **Subscription:** sell digital products or services to customers

Major Categories of E-Commerce

- E-commerce transactions can occur among consumers, businesses, and governmental organizations.
- Nine major e-commerce categories
 - Business-to-consumer (B2C)
 - Business-to-business (B2B)
 - Consumer-to-consumer (C2C)
 - Consumer-to-Business (C2B)
 - Government-to-citizen (G2C)
 - Government-to-business (G2B)
 - Government-to-government (G2G)
 - Government-to-employee (G2E)

E-government are the e-commerce applications used by government and nonbusiness organizations

Intrabusiness E-Commerce

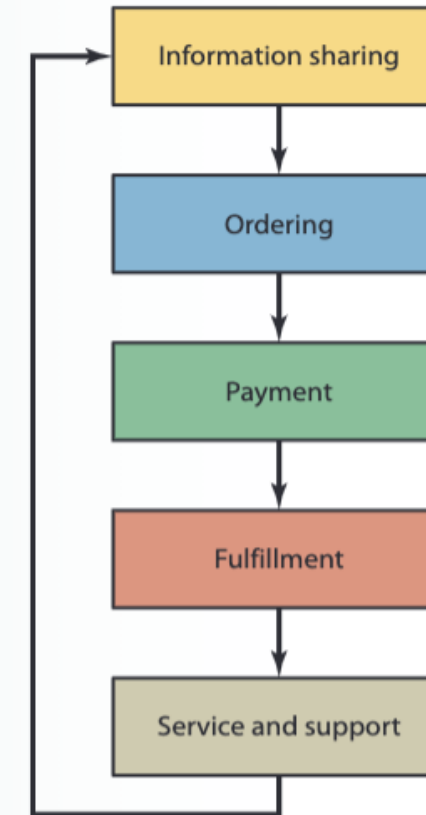
- E-commerce activities that take place inside an organization
- Not part of the nine major categories
- Can include exchange of goods, services, or information among employees

B2C E-Commerce Cycle

- Five major activities involved in conducting B2C e-commerce
 - Information sharing
 - Ordering
 - Payment
 - Fulfillment
 - Service and support

Exhibit 8.3

Major activities in B2C e-commerce



B2C E-Commerce Evolution

- Increasing competition is resulting in deployment of multiple sales channels to reach target customers
- With the **multichannel** strategy the channels are not connected to each other.
- With the **cross-channel** strategy allows customers to use several channels to buy an item.
- With the **omnichannel** strategy integrates physical stores, the Internet and mobile technologies

B2B E-Commerce

- Includes activities in the B2C model
- Uses additional technologies like intranet, extranet, virtual private networks, electronic data interchange (EDI) and electronic funds transfer (EFT)
- Lowers production costs and improves accuracy of business supporting tasks
- Three major models for B2B
 - Seller-side marketplace
 - Buyer-side marketplace
 - Exchange marketplace

B2B Marketplaces

- **Seller-side**
- **Buyer-side**

Third-party exchange

- Not controlled by sellers or buyers
- Revenue is generated from the fees charged for matching buyers and sellers
- **Vertical market** concentrates on specific industry or market
- **Horizontal market** concentrates on specific function or business processes

Mobile and Voice-Based E-Commerce

Mobile commerce

- Based on the Wireless Application Protocol (WAP)
- Users use handheld devices to conduct business transactions

Voice-based

- Relies on voice recognition and text-to-speech technologies

E-Commerce Supporting Technologies

Electronic Payment System

- **Electronic payment** is a transaction in which money is exchanged electronically
- Uses the Internet, other computer networks and digitally stored value systems
- Payment cards are the most popular instrument for electronic payment transactions

Micropayments

- Web transactions that involve a very small amount of money
- Payment mounds are accumulated for customers until they are large enough to offset the transaction fee

Digital Marketing

Digital Marketing

- Any form of marketing deployed on digital channels, devices or platforms

Web Marketing

- Uses the Web and supporting technologies to promote goods and services

Mobile Marketing

- Online businesses should have a mobile marketing strategy to stay competitive
- Popular strategies include:
 - App-based marketing
 - In-game mobile marketing
 - Location-based marketing
 - QR codes
 - Mobile search ads
 - Mobile image ads
 - SMS

Search Engine Optimization

- SEO is method for improving the volume or quality of traffic to a Web site
- Can generate more revenue for the Web site
- Focuses on improving results in a free fashion
- Ways to optimize web traffic include the following:
 - Keywords
 - Page title
 - Inbound links
 - Content
 - Links to others

Social Commerce

- Social networks influence purchasing decisions
- Can provide links to enable customers to buy products
- **Social commerce** is a subset of e-commerce that is influenced by social networks and other online media

Hypersocial Organizations

- **Hypersocial organizations** are companies that leverage social media to better connect with customers and increase sales
- Share information through different avenues
- Leverage the power of online communities

Knowledge Check Activity 1-1

How does SEO influence e-commerce sales?

- a. It can allow a website to rank higher on search engine results page and increase sales.
- b. It can process payment transactions for digital purchases.
- c. It can improve the security of online transactions.
- d. It helps improve the accessibility of websites to all users

Knowledge Check Activity 1-1: Answer

How does SEO influence e-commerce sales?

Answer: It can allow a website to rank higher on search engine results page and increase sales.

SEO helps users find websites organically (free) as they rank higher on SERP (search engine results pages).

Summary

Now that the lesson has ended, you should be able to:

- Define e-commerce and its advantages
- Explain the major categories of e-commerce
- Describe the five major activities of the B2C e-commerce cycle
- Summarize the four major models of B2B e-commerce
- Describe mobile-based and voice-based e-commerce
- Explain four supporting technologies for e-commerce
- Explain social commerce and the reasons for its popularity
- Explain hypersocial organizations and their growing popularity