

E-commerce 2013

business. technology. society.

ninth edition

Kenneth C. Laudon
Carol Guercio Traver



Chapter 11

Social Networks, Auctions, and Portals



Class Discussion

Social Network Fever Spreads to the Professions

- **How has the growth of social networks enabled the creation of more specific niche sites?**
- **What are some examples of social network sites with a financial or business focus?**
- **Describe some common features and activities on these social network sites.**
- **What features of social networks best explain their popularity?**



Social Networks and Online Communities

- **Internet began as communications medium for scientists**
- **Early communities were bulletin boards, newsgroups; e.g., the Well**
- **Today social networks, photo/video sharing, blogs have created new era of online socializing**
- **Social networks now one of most common Internet activities**



What Is an Online Social Network?

• Working definition

- Group of people
- Shared social interaction
- Common ties
- Sharing an area for period of time

• Portals and social networks:

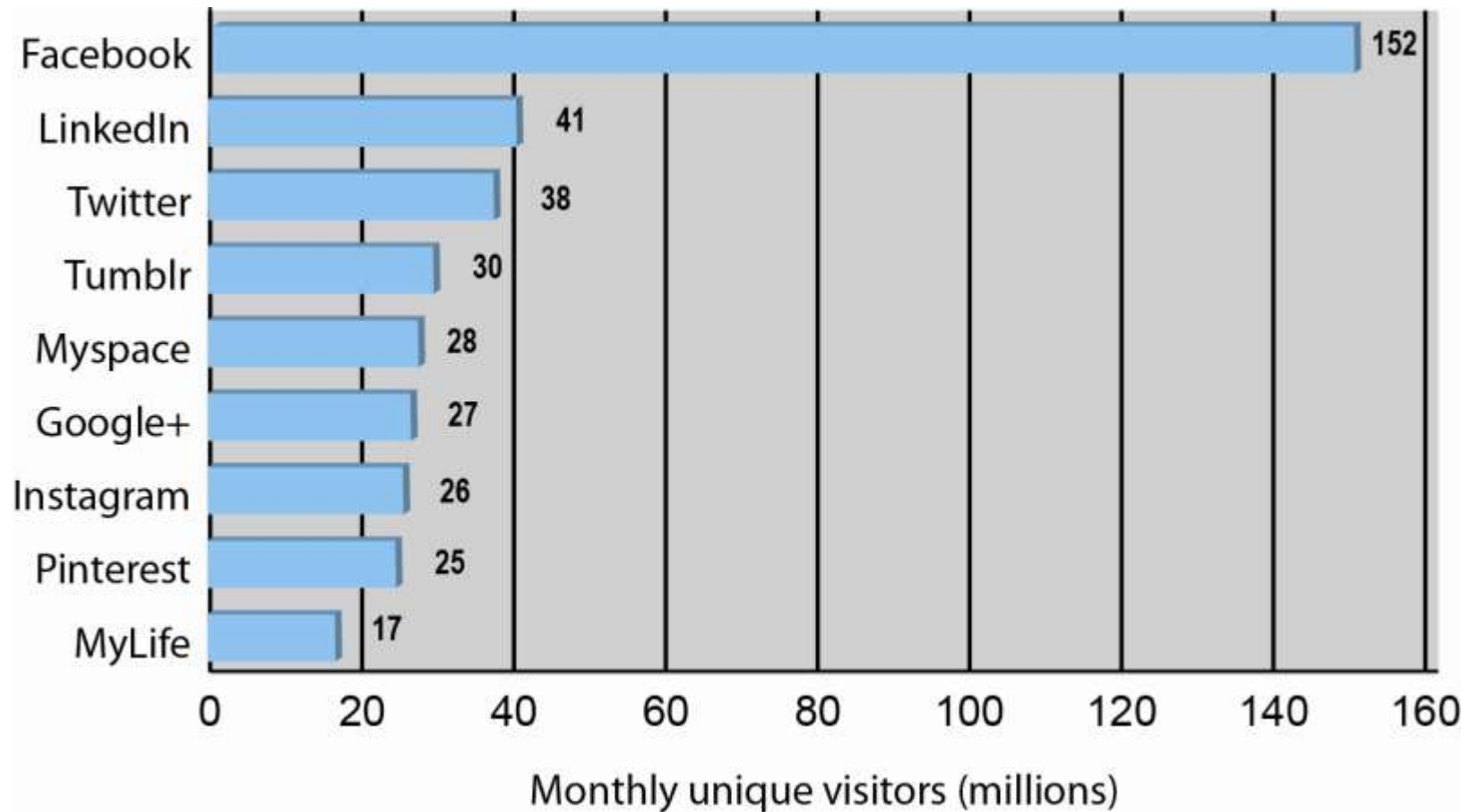
- Moving closer together
- Community sites adding portal-like services
 - Searching, news, e-commerce services



The Growth of Social Networks and Online Communities

- **Top 10 social networks account for over 90% social networking activity**
- **Facebook users: Over 50% are 35+**
- **Unique audience size:**
 - Top four U.S. social networks: Over 260 million
 - Top four portal/search engines: Over 630 million
- **Annual advertising revenue**
 - U.S. social network sites: \$3.1 billion
 - Top four portal/search engines: \$17.5 billion

Top 10 Social Network Sites 2012





Turning Social Networks into Businesses

- **Social networks monetizing audiences through advertising**
- **Business use of social networks**
 - Marketing and branding tool
 - Facebook pages, “fans”
 - Twitter feeds
 - Listening tool
 - Monitoring online reputation
 - Extension of CRMS



The Dark Side of Social Networks

- How can businesses accurately judge whether negative comments are trolling or have merit and should be responded to?
- Have you ever left a negative comment about a product or business? Have others' negative comments influenced a purchase?
- Should a business have any say in how an employee uses social networks outside of the office?



- Offer opportunities to interact with general audience organized into general topics
- Advertising supported by selling ad space on pages and videos

- Offer focused discussion groups, help, and knowledge related to area of shared practice
- May be profit or nonprofit; rely on advertising or user donations



- Created by government, nonprofit, or for-profit organizations for purpose of pursuing organizational goals



Social Network Features and Technologies

- Profiles
- Friends network
- Network discovery
- Favorites
- Games, widgets, apps
- E-mail
- Storage
- Instant messaging
- Message boards
- Online polling
- Chat
- Discussion groups
- Experts online
- Membership management tools



The Future of Social Networks

- Facebook's growth has slowed
- Growth of social networks focused on specific shared interests
- Network fatigue
 - Reuter study shows Facebook users spending less time on the site
- Financial future
 - Relationship between sales and Likes unclear



Insight on Technology: Class Discussion

Facebook Has Friends

- What does Mark Zuckerberg, Facebook's CEO, mean by the "social graph?"
- Why have Facebook applications become so popular? Do they have any limitations?
- What are the core differences between Google+ and Facebook? Does Google+ offer significant advantages?
- How has Microsoft responded?
- Is Tumblr a significant competitor? Why or why not?



Online Auctions

- Online auction sites are among the most popular C2C sites on the Internet
- eBay: Market leader
- Several hundred different auction sites in United States alone
- Established portals and online retail sites increasingly are adding auctions to their sites



Defining and Measuring the Growth of Auctions and Dynamic Pricing

•Dynamic pricing

- Airline tickets, coupons, college scholarships
- Prices based on demand characteristics of customer and supply situation of seller

•Many types of dynamic pricing

- Bundling
- Trigger pricing
- Utilization pricing
- Personalization pricing



Defining and Measuring the Growth of Auctions and Dynamic Pricing (cont.)

•Auctions: Type of dynamic pricing

- C2C auctions
 - Auction house an intermediary
- B2C auctions
 - Business owns assets; often used for excess goods
- Can be used to
 - Sell goods and services
 - Allocate resources
 - Allocate and bundle resources



Market-Maker Benefits

- **No inventory**
- **No fulfillment activities**
 - No warehouses, shipping, or logistical facilities
- **eBay makes money from every stage in auction cycle**
 - Transaction fees
 - Listing fees
 - Financial services fees
 - Advertising or placement fees



Internet Auction Basics

• Different from traditional auctions

- Last much longer (usually a week)
- Variable number of bidders who come and go from auction arena

• Market power and bias in dynamically priced markets

- Neutral: Number of buyers and sellers is few or equal
- Seller bias: Few sellers and many buyers
- Buyer bias: Many sellers and few buyers

• Fair market value



Internet Auction Basics (cont.)

• Price Allocation Rules

- Uniform pricing rule: Multiple winners who all pay the same price
- Discriminatory pricing rule: Winners pay different amount depending on what they bid

• Public vs. private information

- Prices bid may be kept secret
 - Bid rigging
- Open markets
 - Price matching

Bias in Dynamically Priced Markets

		BUYERS	
		One/Few	Many
SELLERS	One/Few	Market Neutral (Negotiation)	Seller Bias (eBay Auction)
	Many	Buyer Bias (Priceline and Sealed Bidding)	Market Neutral (Stock Exchanges)



Types of Auctions

- **English auctions:**

- Single item up for sale to single seller
- Highest bidder wins

- **Traditional Dutch auction:**

- Uses a clock that displays starting price
- Clock ticks down price until buyer stops it

- **Dutch Internet auction:**

- Public ascending price, multiple units
- Final price is lowest successful bid, which sets price for all higher bidders



Types of Auctions (cont.)

• Name Your Own Price Auctions

- Users specify what they are willing to pay for goods or services and multiple providers bid for their business
- Prices do not descend and are fixed
 - Consumer offer is commitment to buy at that price
- e.g., Priceline
- Enables sellers to unload unsold excess capacity



Types of Auctions (cont.)

- **Group buying auctions (demand aggregators)**

- Group buying of products at dynamically adjusted discount prices based on high volume purchases
- Two principles
 - Sellers more likely to offer discounts to buyers purchasing in volume
 - Buyers increase their purchases as prices fall

- **Professional service auctions**

- e.g., Elance.com



Factors to Consider When Choosing Auctions

CONSIDERATIONS	DESCRIPTION
Type of product	Rare, unique, commodity, perishable
Stage of product life cycle	Early, mature, late
Channel-management issues	Conflict with retail distributors; differentiation
Type of auction	Seller vs. buyer bias
Initial pricing	Low vs. high
Bid increment amounts	Low vs. high
Auction length	Short vs. long
Number of items	Single vs. multiple
Price-allocation rule	Uniform vs. discriminatory
Information sharing	Closed vs. open bidding



Seller and Consumer Behavior at Auctions

- **Seller profit: Arrival rate, auction length, and number of units at auction**
- **Auction prices not necessarily the lowest**
- **Unintended results of participating in auctions:**
 - Winner's regret
 - Seller's lament
 - Loser's lament
- **Consumer trust an important motivating factor in auctions**

Auction Profits

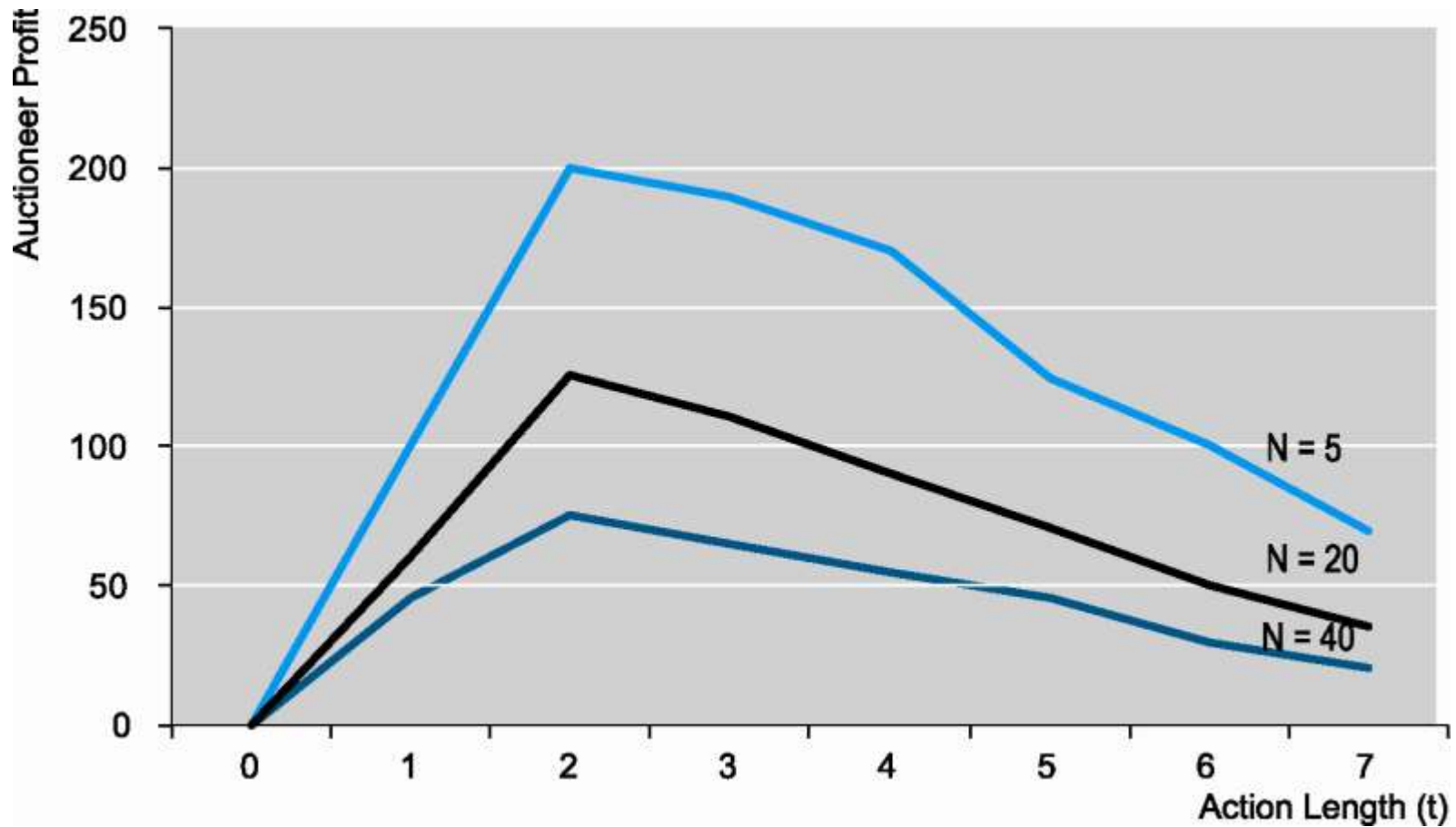


Figure 11.4, Page 734

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SOURCE: Based on data from Vakrat and Seidmann, 1998.



When Auction Markets Fail: Fraud and Abuse in Auctions

- **Markets fail to produce socially desirable outcomes in four situations:**

1. Information asymmetry
2. Monopoly power
3. Public goods
4. Externalities

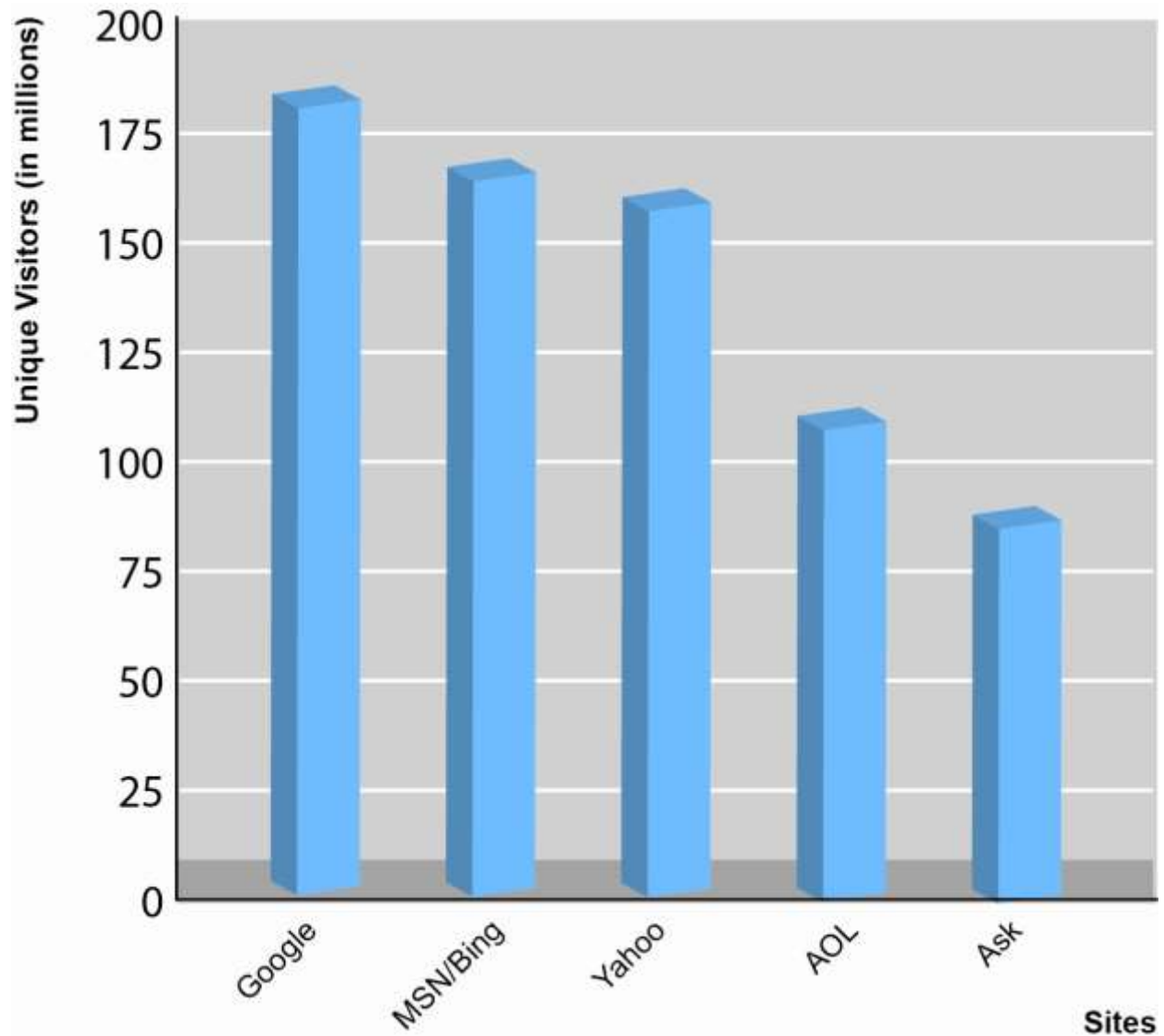
- **In 2011, Internet auto-auction fraud one of top 10 types of fraud reported**



E-commerce Portals

- **Most frequently visited sites on Web**
- **Original portals were search engines**
 - As search sites, attracted huge audiences
- **Today provide:**
 - Navigation of the Web
 - Commerce
 - Content (owned and others')
- **Compete on reach and unique visitors**
- **Enterprise portals**
 - Help employees find important organizational content

Top Five Portal/Search Engines in United States



SOURCE: Based on data
from comScore, 2011.

Figure 11.5, Page 739

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The Transformation of AOL

- What types of decisions have led to AOL's decline in popularity?
- What are AOL's current strategies?
- Do you think its new strategies will succeed?
- Is there a Patch site for your community?
What kind of coverage does it provide?



Types of Portals

- **General purpose portals:**

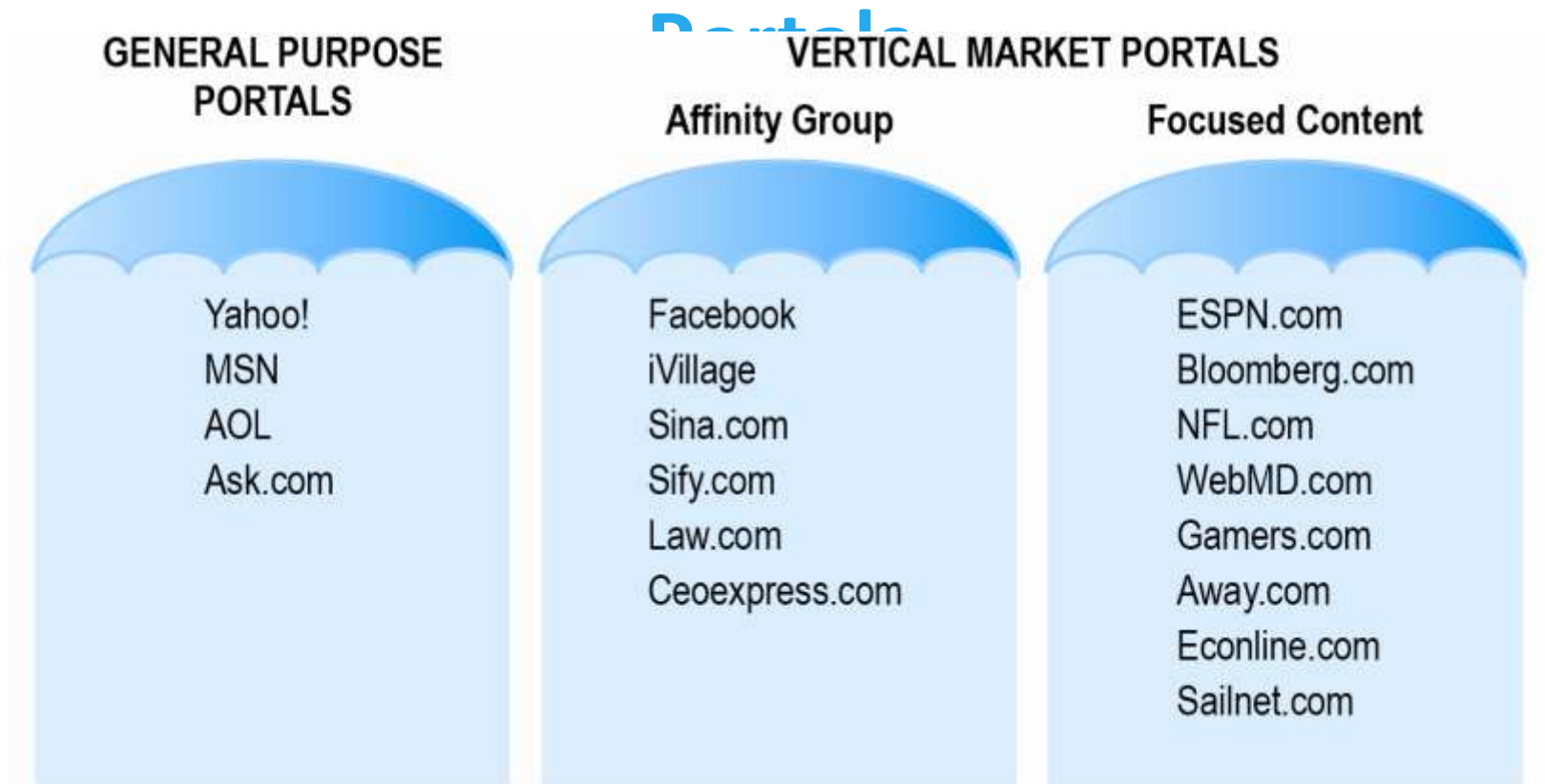
- Attempt to attract very large general audience
- Retain audience by providing in-depth vertical content channels
- e.g., Yahoo, MSN

- **Vertical market portals:**

- Attempt to attract highly-focused, loyal audiences with specific interest in:
 - Community (affinity group); e.g., iVillage
 - Focused content; e.g., ESPN.com

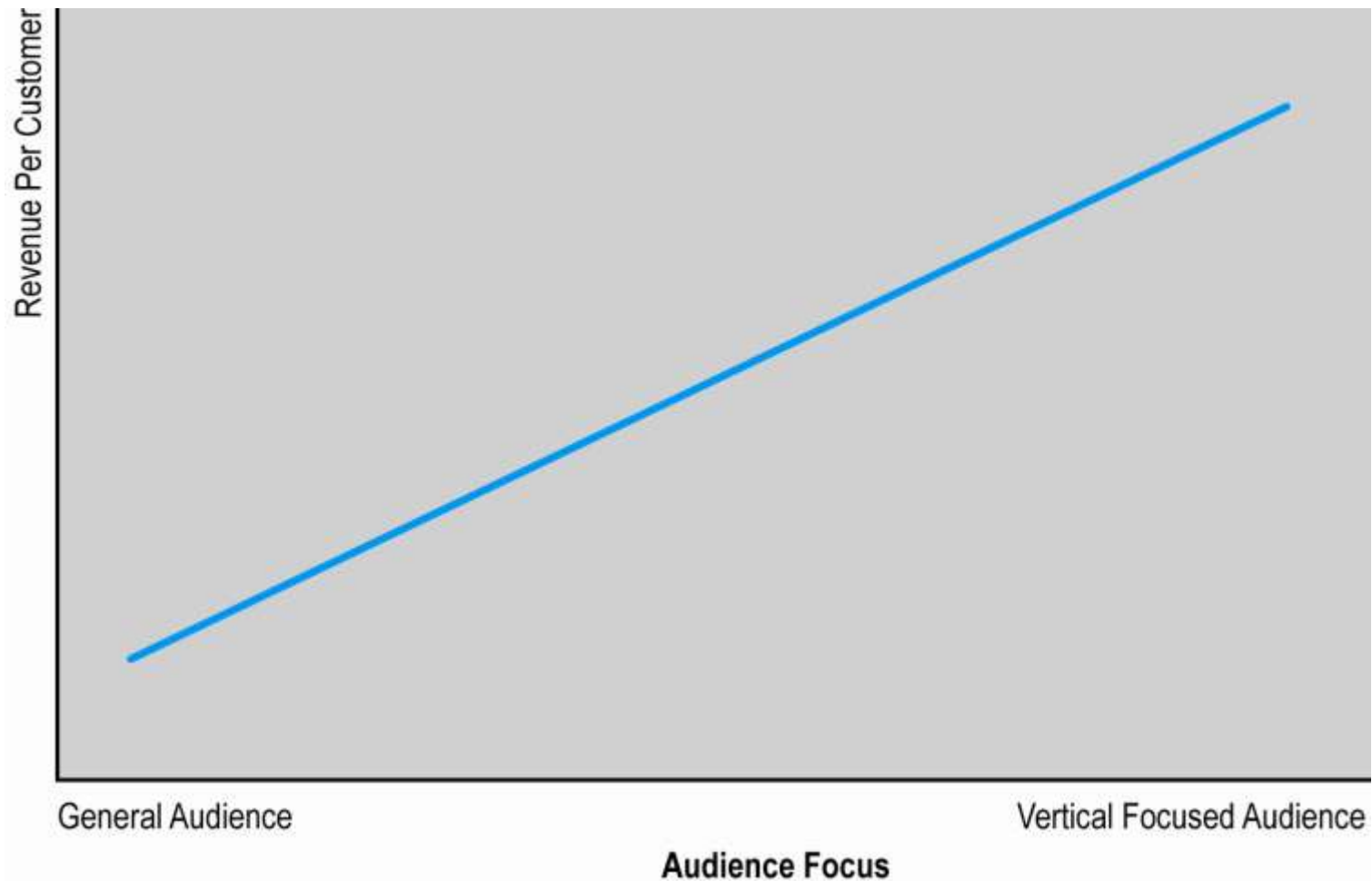


Two General Types of Portals: General Purpose and Vertical Market





Revenue per Customer and Market Focus





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