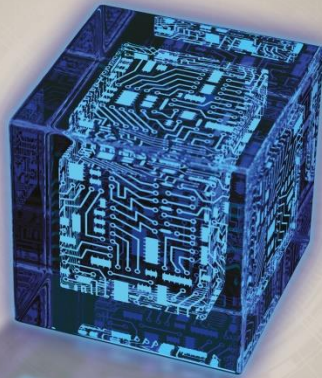


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MANAGEMENT INFORMATION SYSTEMS



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8

E-Commerce

Learning Objectives (1 of 2)

- Define e-commerce and describe its advantages, disadvantages, and business models
- Explain the major categories of e-commerce
- Describe the business-to-consumer e-commerce cycle
- Summarize the major models of business-to-business e-commerce

Learning Objectives (2 of 2)

- 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 hyper-social organizations and their growing popularity
- Explain social media information systems

Defining E-Commerce (1 of 2)

- E-business
 - All activities a company performs for selling and buying products and services using computers and communication technologies
- E-commerce
 - Buying and selling goods and services over the Internet
 - Builds on traditional commerce by adding the flexibility that networks offer and the availability of the Internet

Defining E-Commerce (2 of 2)

- Business applications
 - Buying and selling products and services
 - Collaborating with other companies
 - Communicating with business partners
 - Gathering business intelligence on customers and competitors
 - Providing customer service
 - Supplying software updates and patches
 - Offering vendor support
 - Publishing and disseminating information

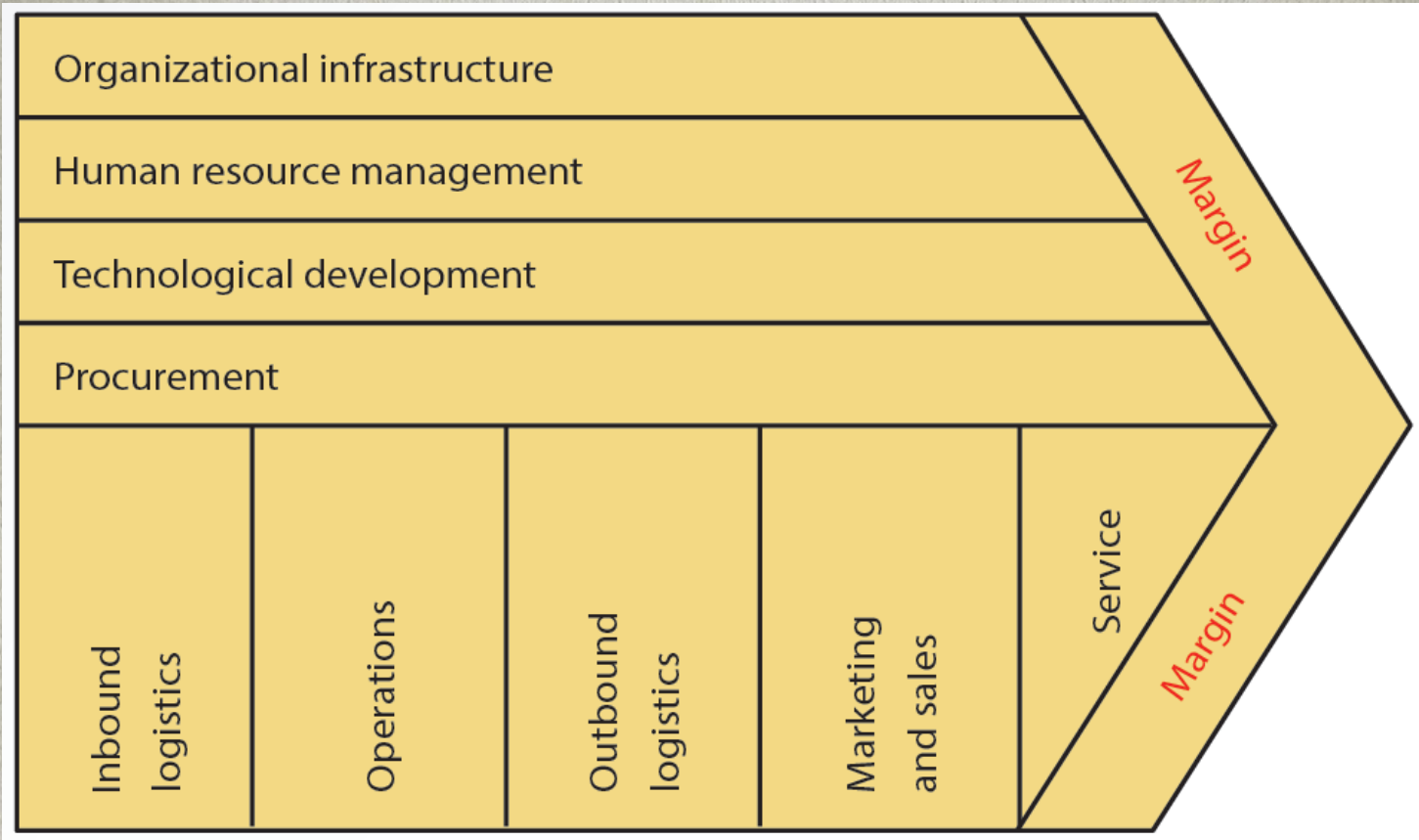
The Value Chain and E-Commerce (1 of 2)

- Value chain
 - Series of activities designed to meet business needs by adding value or cost in each phase of the process
- Primary activities
 - Inbound logistics
 - Operations
 - Outbound logistics
 - Marketing and sales
 - Service

Exhibit

8.1

Michael Porter's Value Chain



The Value Chain and E-Commerce (2 of 2)

- The Internet
 - Increases the speed and accuracy of communication between suppliers, distributors, and customers
 - Low cost means companies of any size can participate in value chain integration
- E-commerce enhances a value chain
 - Offers new ways to reduce costs or improve operations

E-Commerce vs. Traditional Commerce

(1 of 2)

- Click-and-brick e-commerce: mixes traditional commerce and e-commerce
 - Capitalizes on the advantages of online interaction with customers
 - Retains the benefits of having a physical store location

E-Commerce vs. Traditional Commerce (2 of 2)

Activity	Traditional Commerce	E-Commerce
Product information	Magazines, flyers	Web sites, online catalogs
Business communication	Regular mail, phone calls	E-mail
Check 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

Advantages and Disadvantages of E-Commerce (1 of 3)

- Advantages
 - Enhances relationships with suppliers, customers, and business partners
 - Creates price transparency
 - Operates around the clock and globe
 - Gathers more information on potential customers
 - Increases customer involvement
 - Improves customer service

Advantages and Disadvantages of E-Commerce (2 of 3)

- Increases flexibility, ease of shopping, number of customers, opportunities for collaboration with business partners, and return on investment
- Offers personalized services and product customization
- Reduces administrative and transaction costs

Advantages and Disadvantages of E-Commerce (3 of 3)

- Disadvantages
 - Bandwidth capacity problems
 - Security and privacy issues
 - Accessibility
 - Acceptance

E-Commerce Business Models (1 of 4)

- E-commerce companies focus their operations in different parts of the value chain to achieve profitability
 - Traditional e-commerce models are an extension or revision of traditional business models

E-Commerce Business Models (2 of 4)

- Merchant model
 - Transfers the old retail model to the e-commerce world by using the Internet
- Brokerage model
 - Brings sellers and buyers together on the Web and collects commissions on transactions between them

E-Commerce Business Models (3 of 4)

- Advertising model
 - Extension of traditional advertising media
 - Directories such as Yahoo! provide content to users for free
- Mixed model
 - Generating revenue from more than one source

E-Commerce Business Models (4 of 4)

- Infomediary model
 - E-commerce sites collect information on consumers and businesses and then sell this information to other companies for marketing purpose
- Subscription model
 - E-commerce sites sell digital products or services to customers

Major Categories of E-Commerce (1 of 4)

- Business-to-consumer (B2C)
 - Companies sell directly to consumers and supplement traditional commerce with e-commerce
- Business-to-business (B2B)
 - Involves electronic transactions between businesses, such as electronic data interchange (EDI) and electronic funds transfer (EFT)

Major Categories of E-Commerce (2 of 4)

- Consumer-to-consumer (C2C)
 - Involves business transactions between users
 - Includes the use of online classified ads or online auction sites
- Consumer-to-business (C2B)
 - Involves people selling products or services to businesses

Major Categories of E-Commerce (3 of 4)

- Government and nonbusiness e-commerce
 - Government-to-citizen (G2C): tax filing
 - Government-to-business (G2B): license applications and renewals
 - Government-to-government (G2G): disaster assistance
 - Government-to-employee (G2E): e-training

Major Categories of E-Commerce (4 of 4)

- Nonbusiness organizations that use e-commerce applications
 - Universities
 - Nonprofit organizations
 - Political and social organizations

Organizational or Intrabusiness E-Commerce

- Involves e-commerce activities that take place inside an organization via the organization's intranet
 - Exchange of goods, services, or information among employees
 - Conducting training programs and offering human resource services

B2C E-Commerce Cycle

- Five major activities
 - Information sharing
 - Ordering
 - Payment
 - Fulfillment
 - Service and support

B2B E-Commerce: A Second Look

- Technologies use
 - Intranets and extranets
 - Virtual private networks
 - Electronic data interchange (EDI)
 - Electronic funds transfer (EFT)
- Advantages
 - Reduces delivery time and costs
 - Improves communication

Major Models of B2B E-Commerce

- Models based on who controls the marketplace
 - Seller
 - Buyer
 - Intermediary (third party)
 - Trading partner agreements

Seller-Side Marketplace

- Sellers who cater to specialized markets come together to create a common marketplace for buyers
- E-procurement
 - Enables employees to order and receive supplies and services directly from suppliers
 - Prevents purchases from suppliers that are not on the approved list of sellers
 - Eliminates the processing costs of purchases

Buyer-Side Marketplace

- Buyer, or a group of buyers, opens an electronic marketplace and invites sellers to bid
 - Helps buyers manage the procurement process more efficiently, lower administrative costs, and implement uniform pricing
 - Involves the goal of establishing new sales channels

Third-Party Exchange Marketplace

- Marketplace generates revenue from the fees charged for matching buyers and sellers
 - Vertical market: concentrates on a specific industry or market
 - Horizontal market: concentrates on a specific function or business process and automates it for different industries
- Offers suppliers a direct channel of communication to buyers

Trading Partner Agreements

- Automate negotiating processes and enforce contracts between participating businesses
 - Allow business partners to send and receive bids, contracts, and information needed
 - Enable customers to submit documents via the Internet

Mobile and Voice-Based E-Commerce (1 of 2)

- Mobile commerce (m-commerce): using handheld devices to conduct business transactions
 - Based on the Wireless Application Protocol (WAP)
- Technologies supported
 - Wireless wide-area networks and 3G and 4G networks
 - Short-range wireless communication technologies

Mobile and Voice-Based E-Commerce (2 of 2)

- Voice-based e-commerce: relies on voice recognition and text-to-speech technologies
 - Method involves using e-wallets
 - Virtual wallets
 - Security features
 - Call and voice recognition
 - Shipping to a set address that cannot be changed by voice commands

E-Commerce Supporting Technologies

- Several technologies and applications support e-commerce activities
 - Electronic payment systems
 - Web marketing
 - Mobile marketing
 - Search engine optimization

Electronic Payment Systems (1 of 4)

- Electronic payment
 - Money or script that is exchanged only electronically
 - Includes credit cards, debit cards, charge cards, and smart cards
- Smart cards
 - Contain an embedded microprocessor chip
 - Store important financial and personal information

Electronic Payment Systems (2 of 4)

- E-cash: secure and convenient alternative to bills and coins
 - Complements credit, debit, and charge cards
 - Adds convenience and control to everyday cash transactions
- E-check: electronic version of a paper check
 - Offers security, speed, and convenience for online transactions

Electronic Payment Systems (3 of 4)

- E-wallets: available for most handheld devices
 - Offer a secure, convenient, and portable tool for online shopping
 - Store personal and financial information
- Paypal: popular online payment system used for many online transactions
 - Users with valid e-mail addresses can set up accounts and make secure payments

Electronic Payment Systems (4 of 4)

- Micropayments: transactions on the web involving very small amounts of money
 - Began as a method for advertisers to pay for cost per view or cost per click

Web Marketing

- Uses the Web and its supporting technologies to promote goods and services
- Examples of web-marketing tools
 - Intelligent agents
 - Push technology

Mobile Marketing

- Popular mobile marketing strategies
 - App-based marketing
 - In-game mobile marketing
 - Location-based marketing
 - QR codes
 - Mobile search ads
 - Mobile image ads
 - SMS (Short Message Service) and MMS (Multimedia Messaging Service)

Search Engine Optimization

- Method for improving the volume or quality of traffic to a Web site
 - Higher ranking in search results generates more revenue for a website
 - Includes techniques facilitating search engines to find and index a site for certain keywords

E-Commerce and Beyond: Social Commerce (1 of 2)

- Social media concentrates on insight and product discovery by providing a community of people with similar interests
- Social commerce: subset of e-commerce that is influenced by social networks and other online media

E-Commerce and Beyond: Social Commerce (2 of 2)

- Categories of social networks and online media that collectively constitute social commerce
 - Social networking sites
 - Group buying platforms
 - Peer-to-peer e-commerce platforms
 - Recommendation Web sites
 - Participatory e-commerce
 - Social advice
 - User-curated shopping

Hyper-Social Organizations (1 of 3)

- Companies that leverage social media to better connect with customers and sell products and services
 - Share information through:
 - Direct social media interaction
 - Blogs
 - Videos on YouTube
 - Company Web sites

Hyper-Social Organizations (2 of 3)

- Key elements for a successful online community
 - Members
 - Content
 - Member profiles
 - Transactions

Hyper-Social Organizations (3 of 3)

- Pillars of hyper-sociality
 - Tribe versus market segment
 - Human-centric versus company-centric
 - Information channels versus network channels
 - Social messiness versus process hierarchy

Social Media Information Systems (1 of 3)

- Include all the components like other information systems
 - Hardware, software, people, and procedures that support content sharing among its members or users
 - Application (app) providers
 - User communities
 - Sponsors

Social Media Information Systems (2 of 3)

- Play a major role in fostering hyper-social organizations
 - Enable communities, tribes, or hives that are related by a common interest
 - Facilitate business activities and help the sponsors establish bonds and loyalties with their customers

Social Media Information Systems (3 of 3)

- An organization's social media policy should:
 - Protect the company's reputation
 - Eliminate legal issues
 - Protect the privacy of all the impacted individuals
 - Raise brand awareness

Summary (1 of 2)

- E-commerce is buying and selling goods and services over the internet
 - E-commerce transactions occur among consumers, businesses, and government
- B2B e-commerce lowers production costs and improves accuracy by eliminating many labor-intensive tasks

Summary (2 of 2)

- A number of technologies and applications support e-commerce activities
 - Social commerce is a subset of e-commerce that is influenced by social networks and other online media
 - Hyper-social organizations leverage the power of online communities
 - SMISs enable business activities such as sales and marketing for the sponsors

