

Experiencing MIS

Fifth Canadian Edition

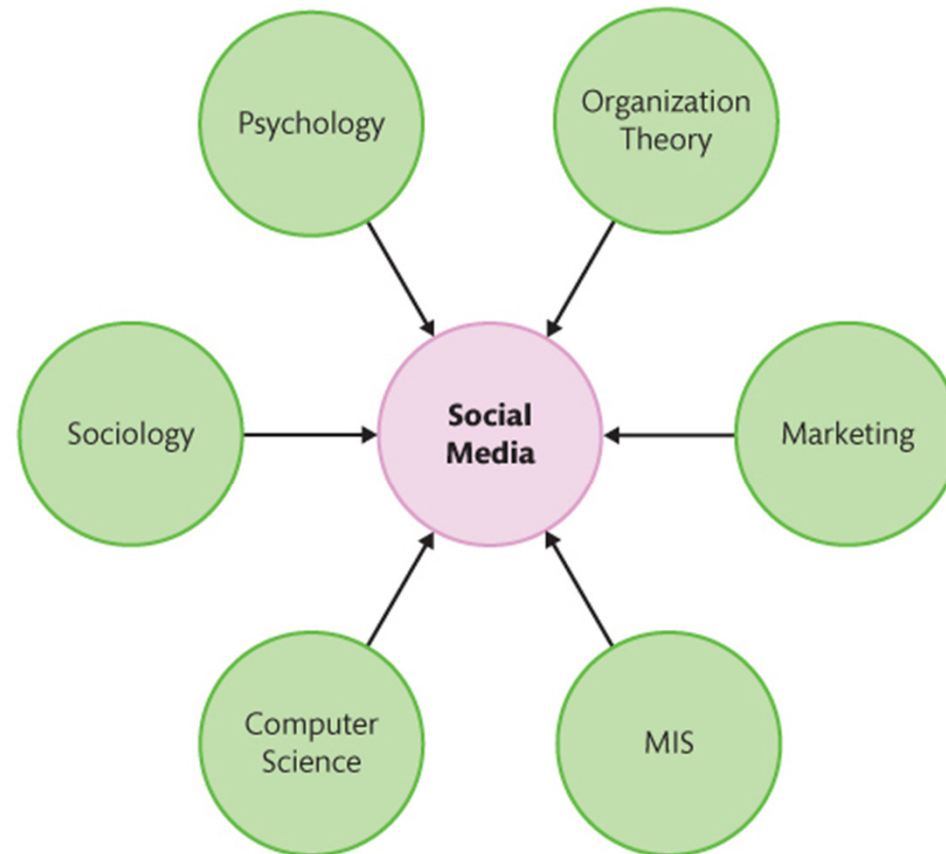


Chapter 9

Social Networking, e-Commerce,
and the Web

Figure 9-1

Social Media is a Convergence of Many Disciplines



Copyright © 2019 Pearson Canada Inc.

Three SMIS Roles

- **Social media providers**
 - Facebook, Google+, LinkedIn, Twitter, Instagram, and Pinterest provide platforms
 - Attracting, targeting demographic groups
- **Users**
 - Individuals and organizations
- **Communities**
 - Mutual interests that transcend familial, geographic, and organizational boundaries

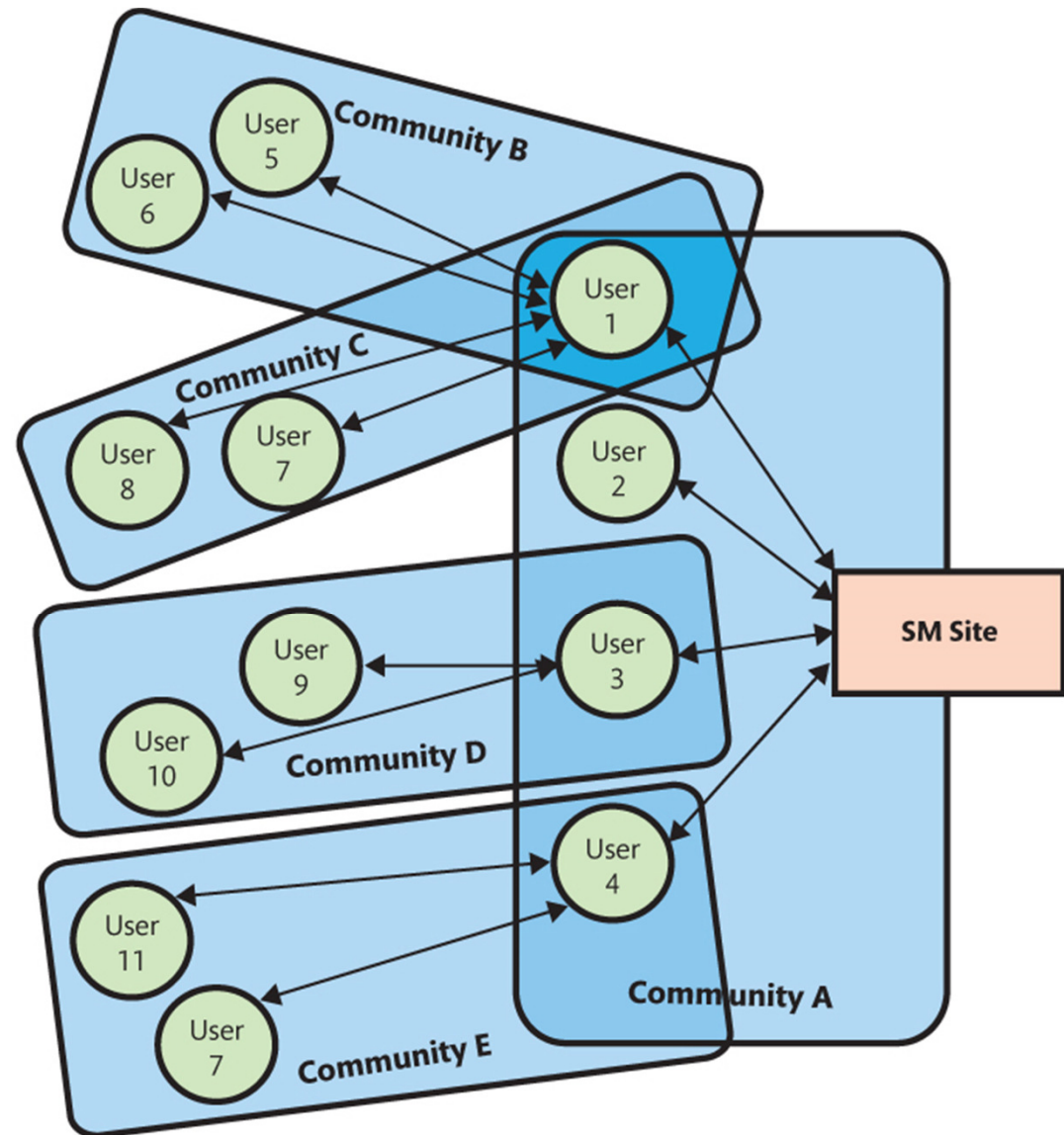
Users

- More than 73 percent of people with Internet access use SM
- 40 percent use SM via their mobile phones
- Many users are a particular demographic:
 - Pinterest 70% female
 - LinkedIn, 80% are 35 years or older
- 77% of Fortune 500 organizations maintain a Twitter account
 - 70% have Facebook

Communities

Figure 9-3

Social Media
Communities



Copyright © 2019 Pearson Canada Inc.

Q9-2: How Do SMIS Advance Organizational Strategy?

- **Strategy** determines **value chain**
 - Value chains determine business processes
 - Processes determine SMIS requirements
- How do value chains determine dynamic processes?
 - Dynamic process flows cannot be designed or diagrammed
- SM fundamentally changes balance of power among **users**, their **communities**, and **organizations**

Social Media and Manufacturing and Operations (1 of 2)

- Improve communication channels within organization and externally with consumers, design products, develop supplier relationships, and improve operational efficiencies
- **Crowdsourcing:** employing users to participate in product design or product redesign.
- **Businesses-to-consumer (B2C)**

Social Media and Manufacturing and Operations (2 of 2)

- **Business-to-business (B2B):** YouTube channel to post videos of product reviews and testing, factory walk-throughs
- **Internal:** use SM to improve communication within the organization

Q9-3: How Do SMIS Increase Social Capital?

- **Capital**
 - Investment of resources for future profit
- **Types of business capital**
 - **Physical capital:** produce goods and services (factories, machines, manufacturing equipment)
 - **Human capital:** human knowledge and skills investments
 - **Social capital:** social relations with expectation of marketplace returns

What Is the Value of Social Capital? (1 of 3)

- **Number** of relationships, **strength** of relationships, and **resources** controlled
- We benefit in four ways:
 - Information
 - Influence
 - Social credentials
 - Personal reinforcement

What Is the Value of Social Capital? (2 of 3)

Benefits to People

1. Information

- Opportunities, alternatives, problems, and other factors important to professionally and personally

2. Influence

- Decision makers and peers

What Is the Value of Social Capital? (3 of 3)

3. Social credentials

- Being linked to a network of highly regarded contacts

4. Personal reinforcement

- Professional identity, image, and position in organization or industry

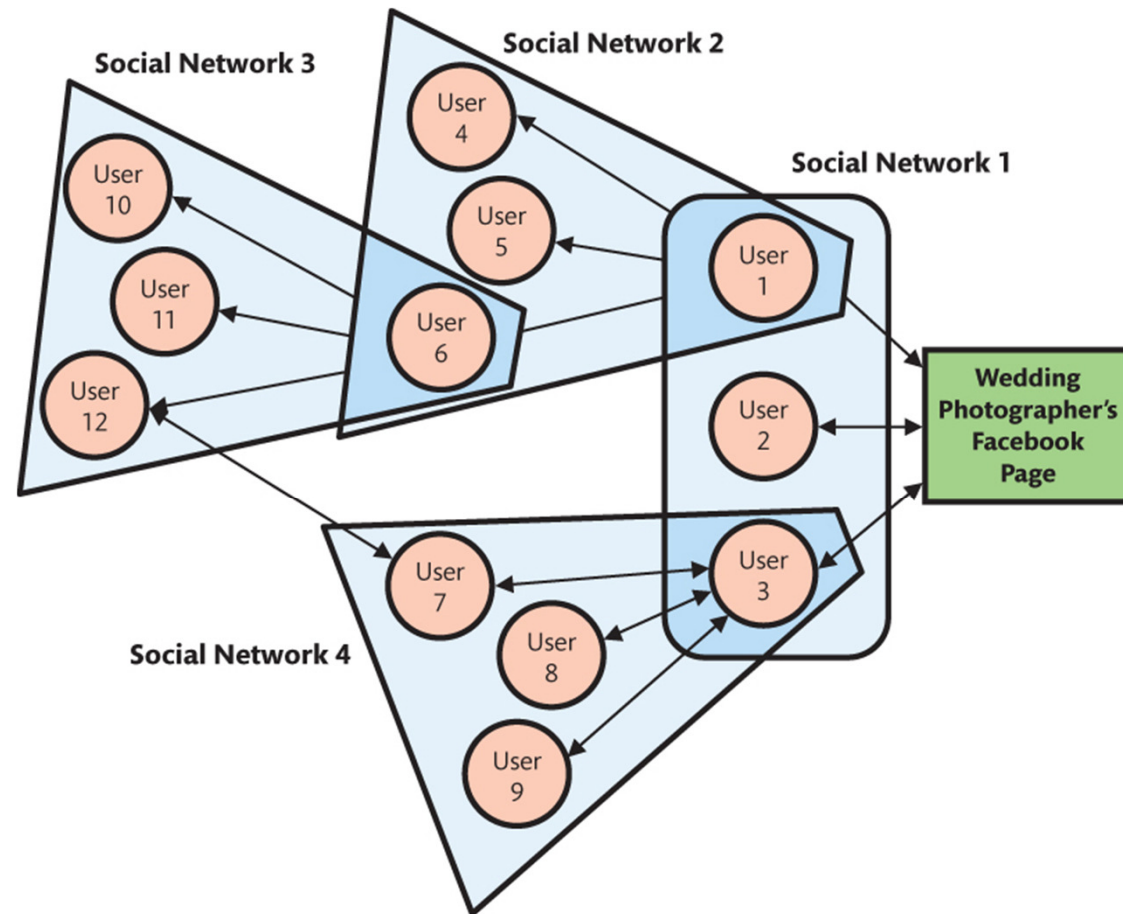
- Understand what social capital is, why it's valuable, and how you can benefit from it

How Do Social Networks Add Value to Businesses?

- Progressive organizations:
 - Presence on Facebook, LinkedIn, Twitter, and other SN sites
 - Encourage customers and interested parties to leave comments
 - Risk - excessively critical feedback

Figure 9-6

Using Social Networking to Increase the Number of Relationships



Copyright © 2019 Pearson Canada Inc.

Using Social Networks to Connect to Those with More Resources

- **Social Capital** = Number of Relationships × Relationship Strength × Entity Resources
- Huge network of people with **few** resources **less valuable** than smaller network with **substantial** resources
- Resources must be **relevant**
- Most ignore **value** of entity assets

Q9-4: How Do (Some) Companies Earn Revenue from Social Media?

- **Hyper-social organization**
 - Use SM to transform interactions with customers, employees, and partners into mutually satisfying relationships with them and their communities
- **You Are the Product.**
 - “If you’re not paying, you’re the product.”
 - Renting your eyeballs to an advertiser
- **Monetize**

Revenue Models for Social Media

- Advertising
- Pay-per-click
- Use increases value
- Freemium
 - Offers users a basic service for free, then charges a premium for upgrades or advanced features
- Sales –
 - Apps and virtual goods, affiliate commissions, donations

Does Mobility Reduce Online Ad Revenue?

(1 of 2)

- Number of mobile devices to reach 10 billion by 2018
- Mobile data traffic eleven-fold increase
- Average **click-through rate** of smartphones is 4.12%, but just 2.39% on PCs
- **Conversion rate**
 - Frequency someone clicks on ad makes a purchase, “likes” a site, or takes some other action desired by advertiser

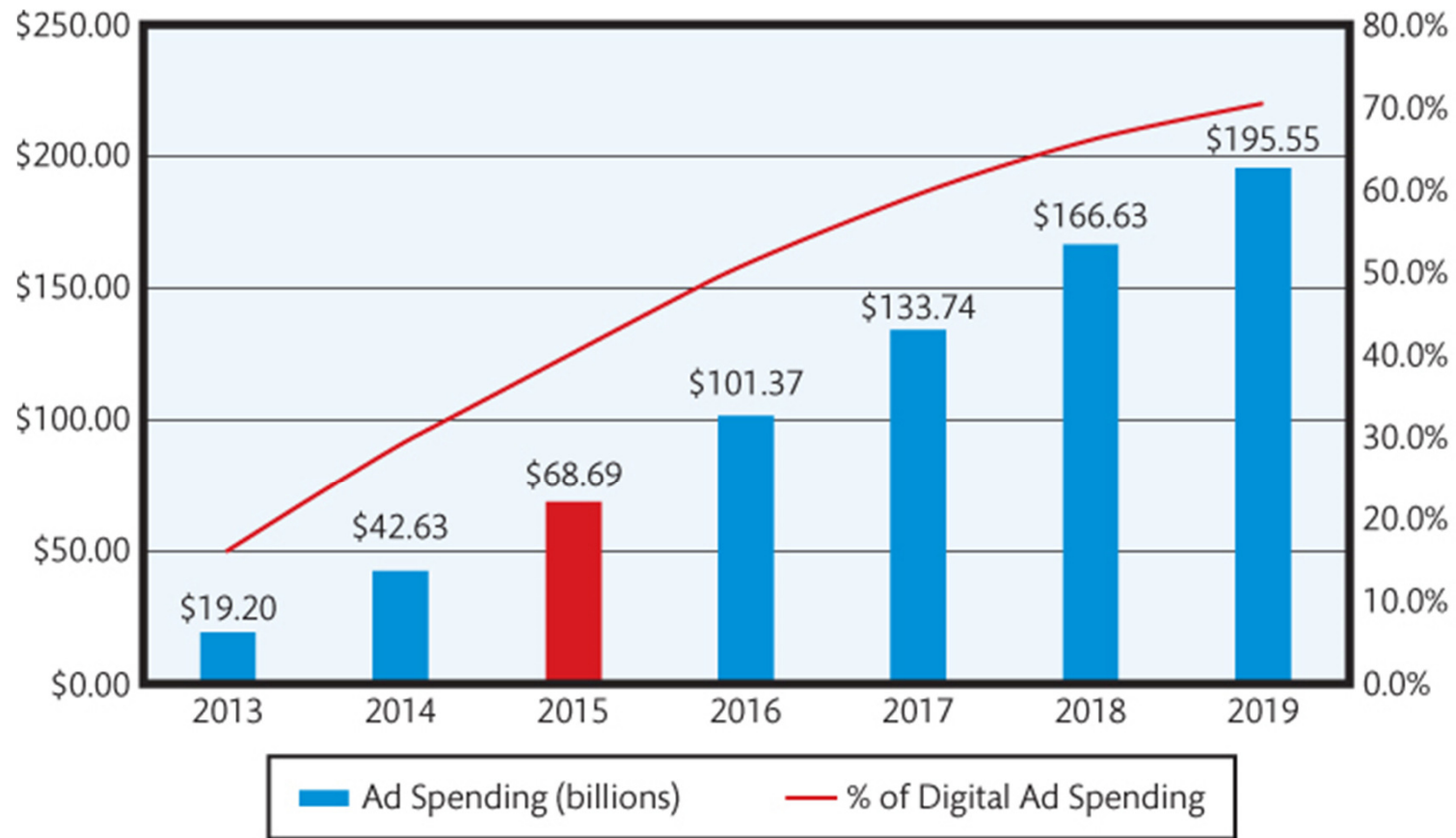
Does Mobility Reduce Online Ad Revenue?

(2 of 2)

- Paid search, display or banner ads, mobile ads, classifieds, or digital video ads
- Use of ad-blocking software growing by 69% per year

Figure 9-8

Mobile Ad Spending



Copyright © 2019 Pearson Canada Inc.

Q9-5: How Can Organizations Address SMIS Security Concerns?

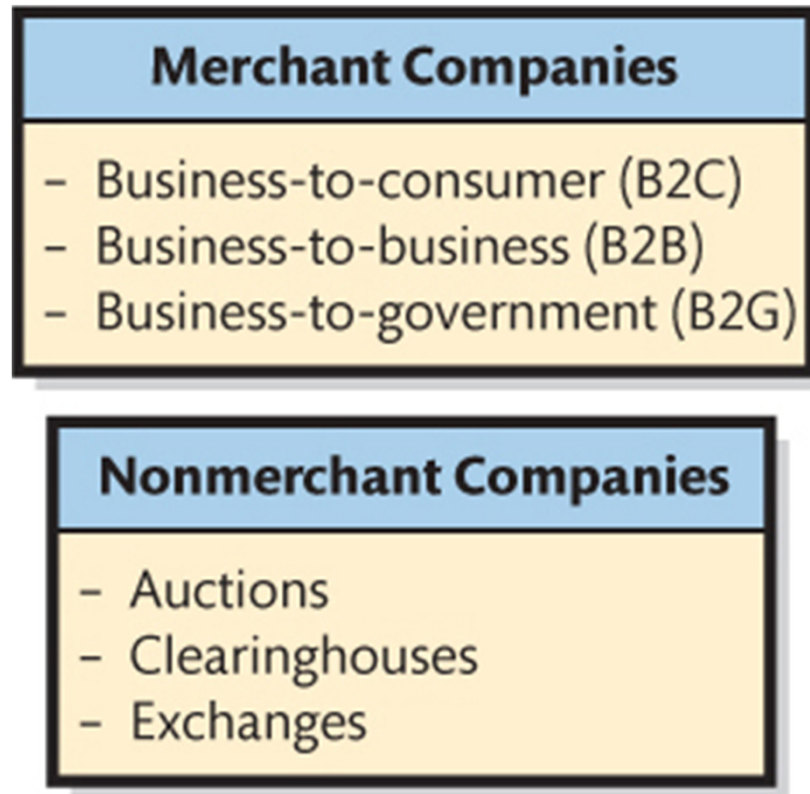
- Develop and publicize a social media policy
 - Delineate employees' rights and responsibilities
 - Index to 100 different policies at Social Media Today Web site
- Intel's Three Pillars of SM Policies
 - Disclose
 - Protect
 - Use Common Sense

What Is Ecommerce, and How Is It Used?

- Buying and selling of goods and services over public and private computer networks
- This definition restricts ecommerce to buying and selling transactions
- Checking the weather at yahoo.ca is not ecommerce, but buying a weather service subscription that is paid for and delivered over the Internet is

Figure 9-10

Ecommerce Categories



Copyright © 2019 Pearson Canada Inc.

Ecommerce Categories

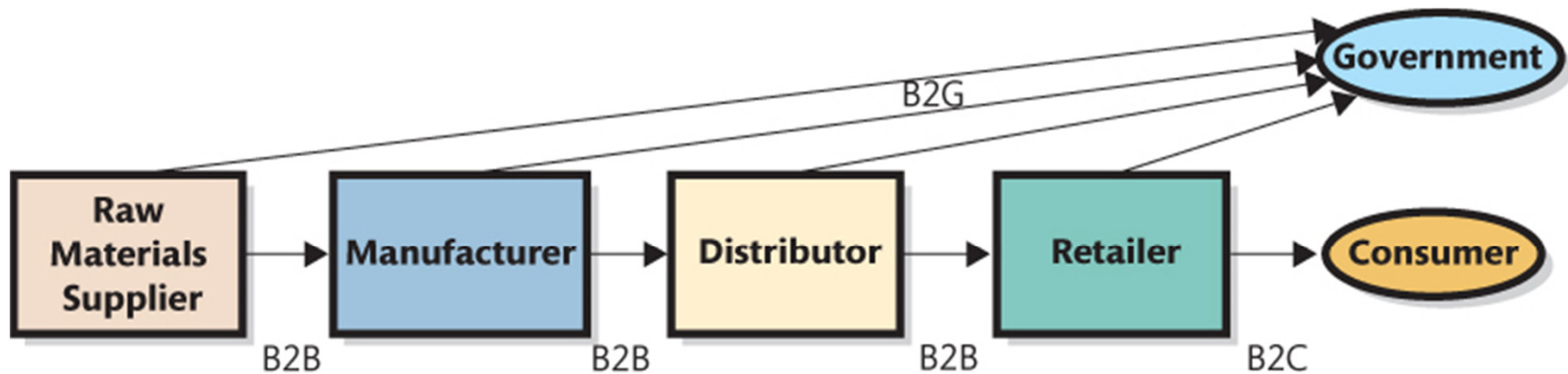
- **Merchant companies**
 - take title to the goods they sell
 - buy goods and resell them
 - sell services that they provide
- **Nonmerchant companies**
 - arrange for the purchase and sale of goods without ever owning or taking title to those goods
 - sell services provided by others

Ecommerce Merchant Companies

- **Business-to-Consumer (B2C)**
 - Sales between a supplier and a retail customer (the consumer)
- **Business-to-Business (B2B)**
 - Sales between companies
- **Business-to-Government (B2G)**
 - Sales between companies and governmental organizations

Figure 9-11

Examples of B2B, B2G, and B2C



Copyright © 2019 Pearson Canada Inc.

Non-Merchant Ecommerce

- **E-commerce auctions** match buyers and sellers by using an ecommerce version of a standard auction
- **Clearinghouses** provide goods and services at a stated price and arrange for the delivery of the goods, but they never take title
- **Electronic exchanges** match buyers and sellers; the business process is similar to that of a stock exchange

Benefits of Ecommerce (1 of 2)

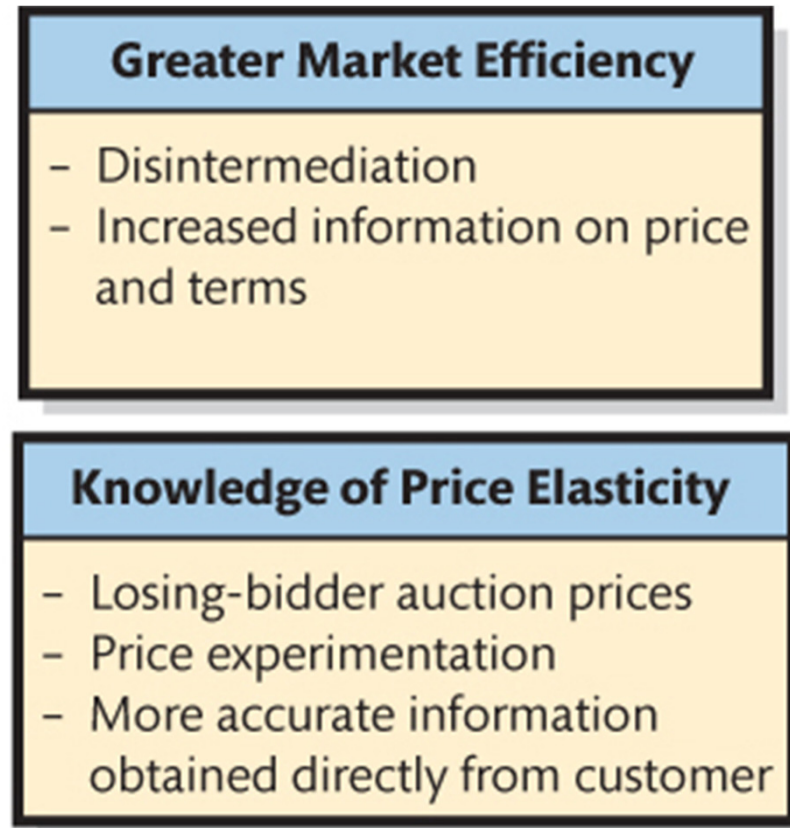
- Leads to greater market efficiencies
- **Disintermediation:** removal of intermediaries between parties
 - Higher revenues for manufacturers
 - Lower price for buyers
 - But, if all intermediaries are cut, will be disruptive to Canadian economy
- In some cases, intermediaries have grown into the spaces: Trivago, Expedia, etc., rather than users having to buy direct: **reintermediation**

Benefits of Ecommerce (2 of 2)

- improves flow of price information
 - Sites provide price comparisons
- Sellers have access to better information about what customers will pay
- **Price elasticity:** how much demand rises/falls with changes in price
 - Auction sites helpful for this
 - Experiments with customers

Figure 9-13

Ecommerce Market Consequences



Copyright © 2019 Pearson Canada Inc.

The Challenges of Ecommerce (1 of 2)

- **Channel conflict**: if a company sells to a retailer, then adds a channel directly to consumers, will the retailer drop them?
- **Price conflict**: if manufacturer sells direct to consumer at lower price than retailer, this will disrupt retailer
- **Logistics expense**: Manufacturers need to factor in costs of entering and processing orders in small quantities

The Challenges of Ecommerce (2 of 2)

- **Customer service expense:** manufacturers will need to support customers that aren't knowledgeable retailers
- **Showrooming:** merchants lose money if customer tries product out in-store, then later purchases it online at a lower cost
- **Taxation:** Problem for shipments crossing borders: collecting the correct taxes

So What? Synthetic Friends

- Army of bots for company SM
 - Inflates follower count
- “Click farms”
 - Form of **click** fraud
 - Large group of low-paid workers hired to **click** on paid advertising links for the **click** fraudster
- Attracts annoying spam accounts
- Then comes the purge

Digital Is Forever (1 of 2)

- Transmitting any personal information using an Internet connection you can become a victim
- Stored on numerous servers and employer's server farms
- In most cases, impossible to delete
- Digital zombie
- Companies analyze everything you digitally say and do
 - Google

Digital Is Forever (2 of 2)

- Big Data = Big Money
 - Personal data illegally accessed by criminals and sold on the black market to other nefarious characters; or
 - Legally accessed by companies and sold to other companies
- Steps to remove or mask digital footprints
 - Clearing cookies
 - Encrypting email
 - Avoid using real name
 - Use virtual networks to mask IP address