



E-Commerce

Chapter 1

Introduction , Importance
and Potential of E-commerce.

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Learning Objective

1. Explain electronic commerce and electronic business definition and concept.
2. Describe the categories and important e-commerce to business.
3. Explain the experiencing a second wave of growth with a new focus on profitability and concentrate companies on revenue models.
4. Describe the analysis of business processes instead of business models when they undertake electronic commerce initiatives and economic forces have created a business and commerce value chains (CVC).
5. Describe the international nature of electronic commerce and the challenges that arise in engaging in electronic commerce on a global scale

Content

- 1) *E-Business and E-Commerce overview.*
- 2) *Category of E-Commerce.*
- 3) *Benefits of E-Commerce to business.*
- 4) *Economic forces and E-commerce.*
- 5) *Value chain in E-commerce*
- 6) *Potential and challenges of E-Commerce.*

E-Business and E-Commerce overview.

E-Commerce or Electronic commerce is a process of buying, selling, transferring, or exchanging products, services, and/or information via electronic networks and computers



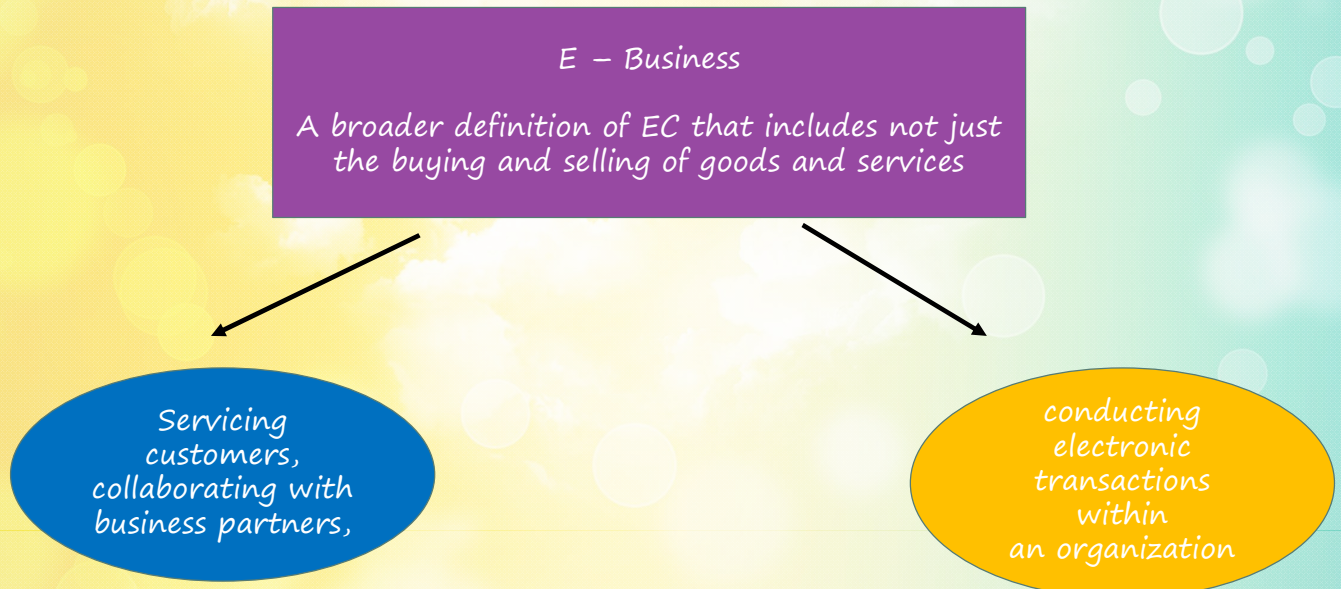
The exchange of goods and services for money

*Buyers
these are people with money who want to purchase a good or service.*

*Sellers
these are the people who offer goods and services to buyers.*

*Producers
these are the people who create the products and services that sellers offer to buyers.*

E-Business and E-Commerce overview.



Brief History of E-Commerce

1970s

1. E-commerce meant the facilitation of commercial transactions electronically, using technology such as:
 - Electronic Data Interchange (EDI)
 - Electronic Funds Transfer (EFT),
2. Allowing businesses to send commercial documents like purchase orders or invoices electronically.

1980s

1. The growth and acceptance of credit cards
2. Automated teller machines (ATM)
3. Telephone banking
4. Airline reservation system

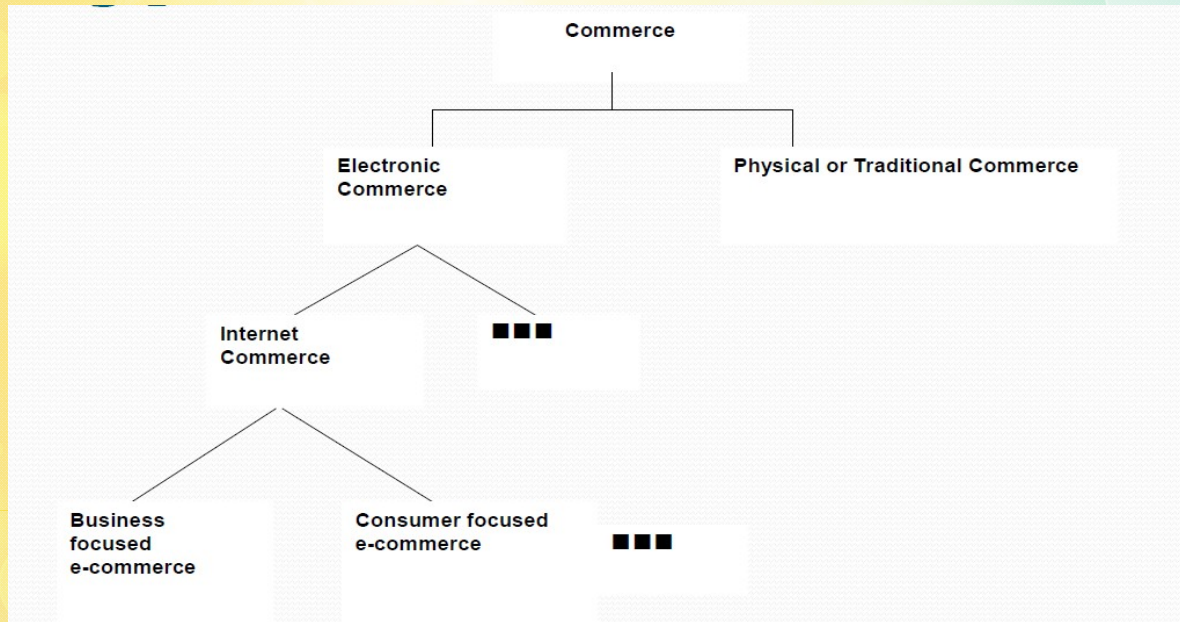
1990s

1. The Internet commercialized and users flocked to participate in the form of dot-coms, or Internet start-ups
2. Innovative applications ranging from online direct sales to e-learning experiences

2000s

1. Many European and American business companies offered their services through the World Wide Web.
2. Since then, People began to associate a word "ecommerce"

Types of Commerce



Categories of E-Commerce



Categories of E-Commerce

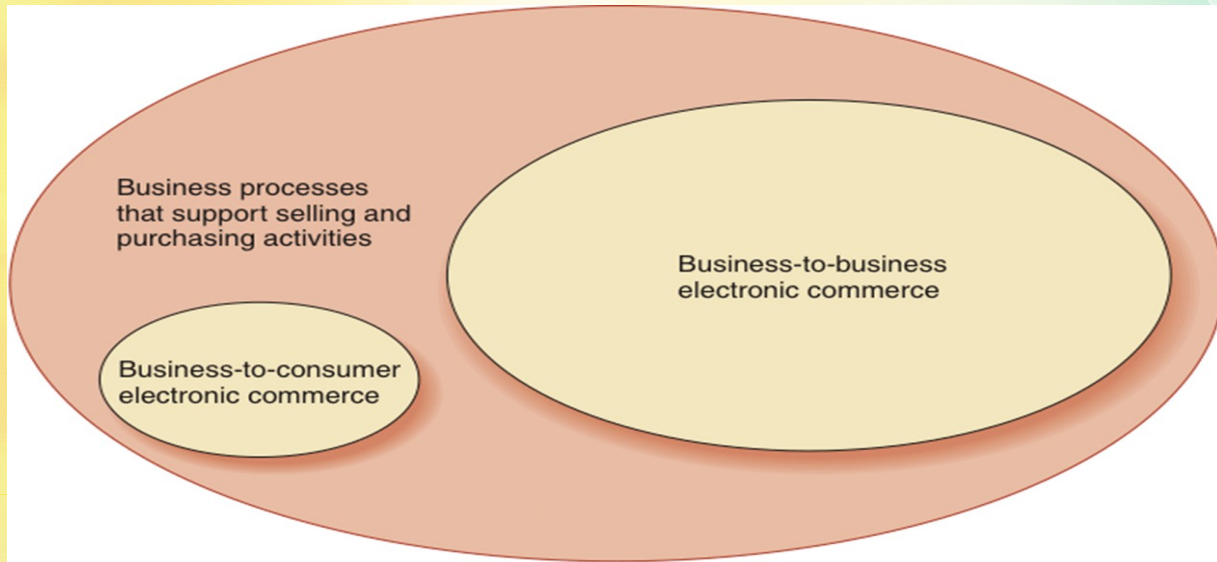


FIGURE 1-1 Elements of electronic commerce

Categories of E-Commerce

Category	Description	Example
Business-to-consumer (B2C)	Businesses sell products or services to individual consumers.	Walmart.com sells merchandise to consumers through its Web site.
Business-to-business (B2B)	Businesses sell products or services to other businesses.	Grainger.com sells industrial supplies to large and small businesses through its Web site.
Business processes that support buying and selling activities	Businesses and other organizations maintain and use information to identify and evaluate customers, suppliers, and employees. Increasingly, businesses share this information in carefully managed ways with their customers, suppliers, employees, and business partners.	Dell Computer uses secure Internet connections to share current sales and sales forecast information with suppliers. The suppliers can use this information to plan their own production and deliver component parts to Dell in the right quantities at the right time.

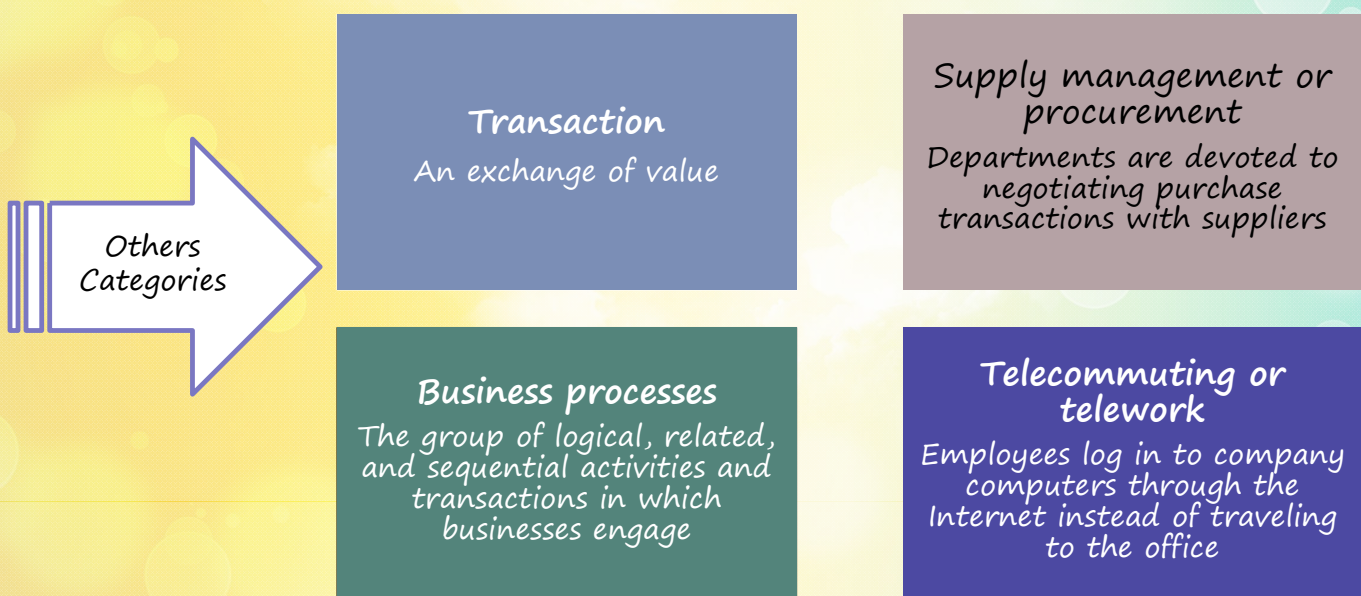
FIGURE 1-2 Electronic commerce categories

Categories of E-Commerce

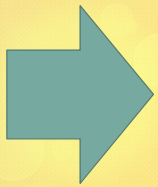
Category	Description	Example
Consumer-to-consumer (C2C)	Participants in an online marketplace can buy and sell goods to each other. Because one party is selling, and thus acting as a business, this book treats C2C transactions as part of B2C electronic commerce.	Consumers and businesses trade with each other in the eBay.com online marketplace.
Business-to-government (B2G)	Businesses sell goods or services to governments and government agencies. This book treats B2G transactions as part of B2C electronic commerce.	CAL-Buy portal allows businesses to sell online to the state of California.

FIGURE 1-2 Continued Electronic commerce categories

Categories of E-Commerce



Benefits of E-Commerce



Consumer



Organization

Benefits of E-Commerce (Consumer)

More products and services

Cheaper products and services

Instant delivery

Information availability

Participation in auctions



Benefits of E-Commerce (Organization)

Global reach	More reach to customers, there is no theoretical geographic limitations.
Cost Reduction	Low operational costs and better quality of services.
Extended hour	Buying/selling 24/7.
Customization	<ul style="list-style-type: none"> - Customers can easily select products from different providers without moving around physically. - Faster buying/selling procedure, as well as easy to find products.
Supply chain improvement	<ul style="list-style-type: none"> - No need of physical company set-ups. - Easy to start and manage a business.

Economic forces and E-commerce.

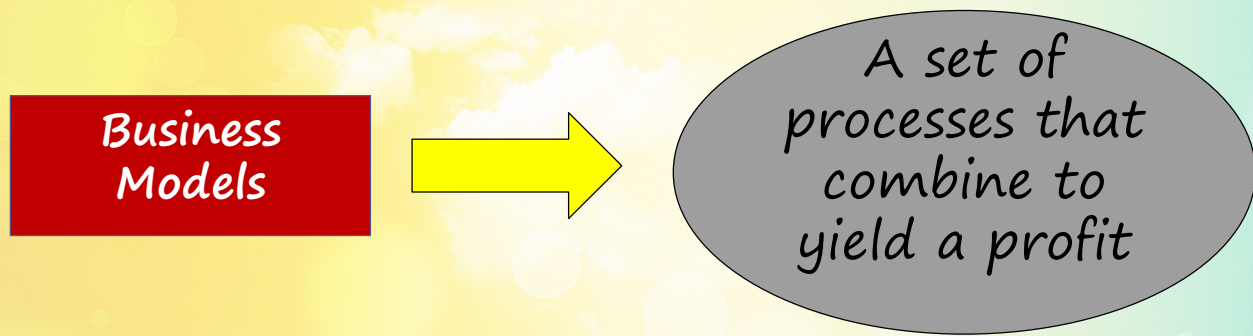
Economics

- *Study of how people allocate scarce resources*

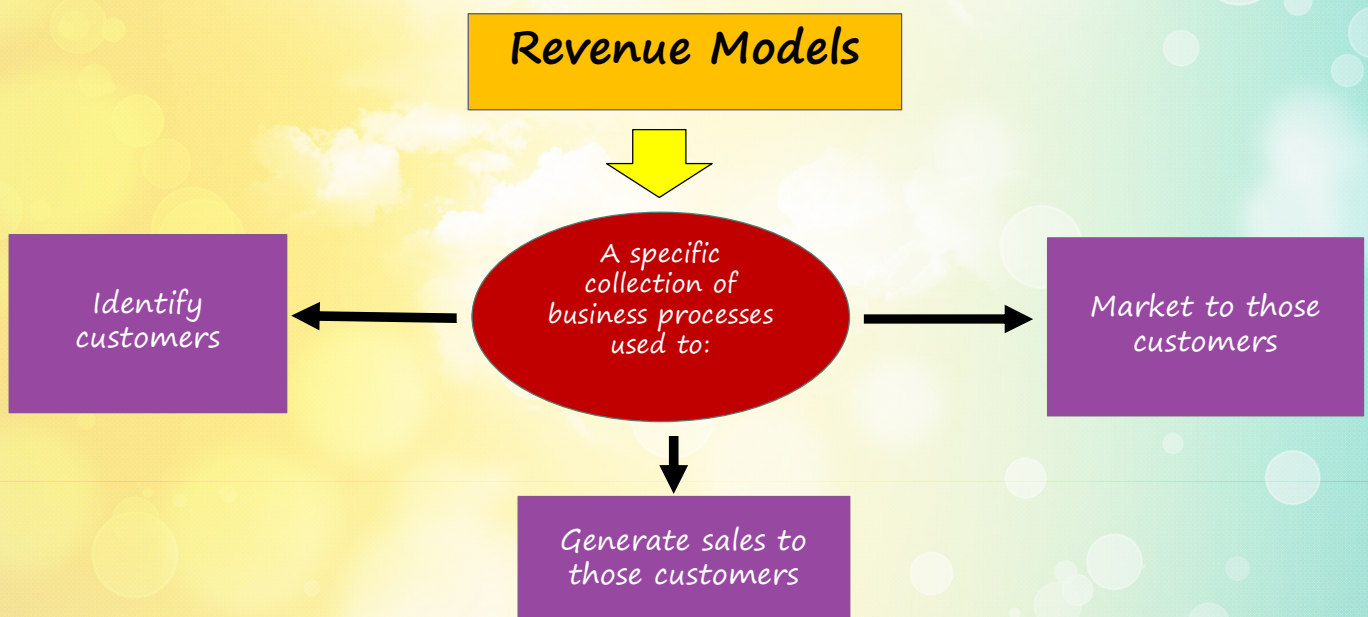
Two conditions of a market

- *Potential sellers of a good come into contact with potential buyers*
- *A medium of exchange is available*

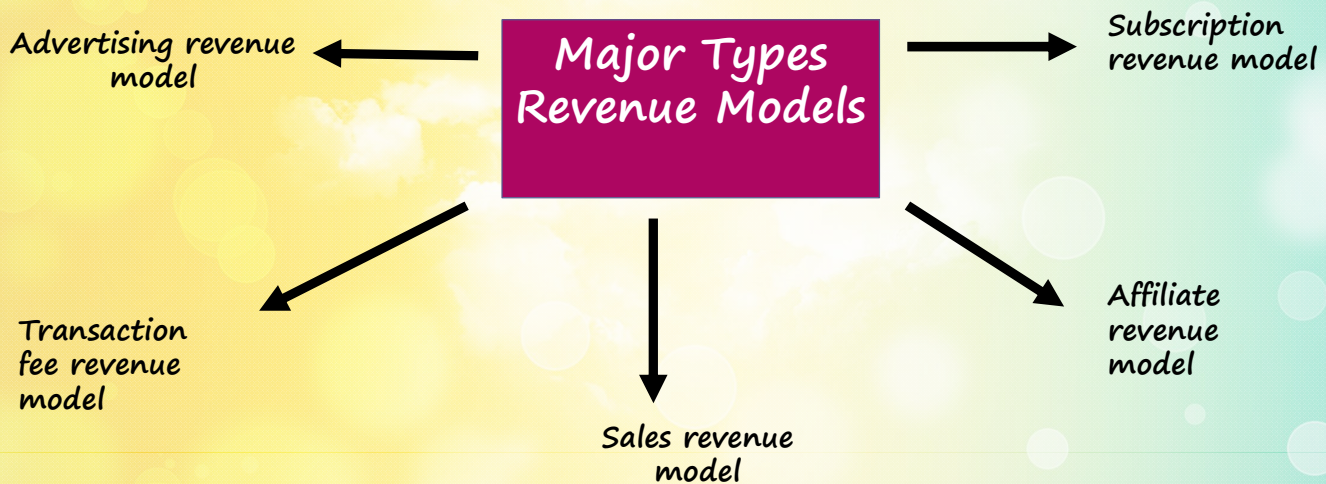
E-commerce Business Models and Concepts; Business Models, Revenue Models, and Business Processes



E-commerce Business Models and Concepts; Business Models, Revenue Models, and Business Processes

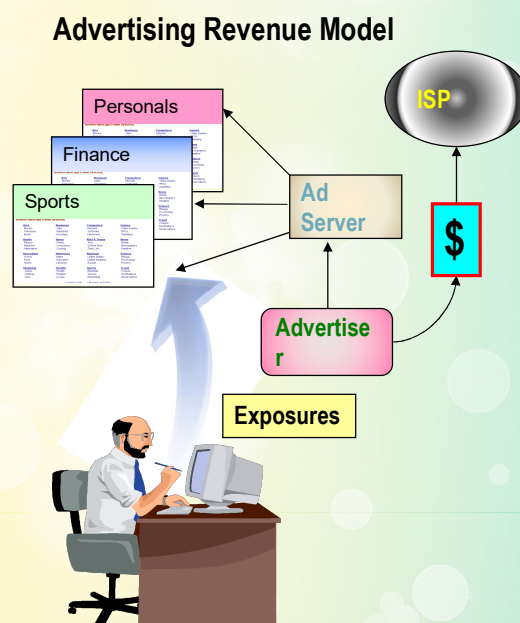


E-commerce Business Models and Concepts; Business Models, Revenue Models, and Business Processes



1. Advertising Revenue Model

- Web site that offers content, services and/or products also provides a forum for advertisements and receives fees from advertisers.
- Common model used for high traffic Web sites.
- It includes selling banner ads, classified ads, sponsor ads, pop-up ads, etc. Revenue at Yahoo, Webcrawler, and Geocities is generated this way.



2. Subscription Revenue Model

- Web site that offers users content or services charges a subscription fee for access to some or all of its offerings
- Examples:
 - Consumer Reports Online
 - Yahoo! Platinum

Subscription Revenue Model



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http://www.demingcenter.com/html_files/roi/pdf_2annual/Higbie_Pri

3. Transaction Fee Revenue Model

- Company that receives a fee (commission) for enabling or executing a transaction.
- eg. In auction sites when a seller is successful in auctioning off a product site receives transaction fee
- eg. Online stock broker receives fees each time it executes a transaction on behalf of customers
- Examples:
 - eBay.com
 - E-Trade.com
 - Visa
 - Schwab

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4. Sales Revenue Model

- Company derives revenue by selling goods, information, or services to customers
- Examples:
 - Amazon.com
 - LLBean.com
 - Gap.com

5. Affiliate Revenue Model

- Sites that steer business to an “affiliate” receive a referral fee or percentage of the revenue from any resulting sales
- Example:
 - MyPoints.com
 - Google

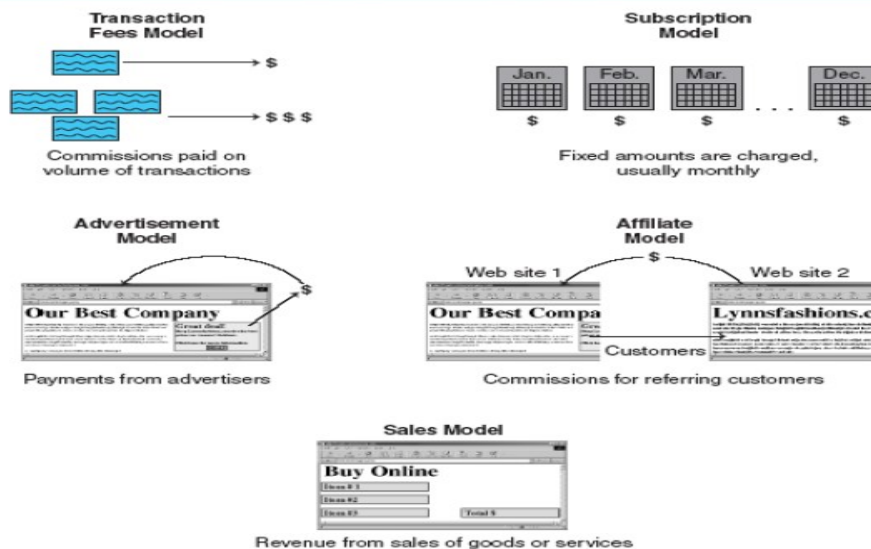
E-commerce Business Models and Concepts; Business Models, Revenue Models, and Business Processes

TABLE 2.2 FIVE PRIMARY REVENUE MODELS

REVENUE MODEL	EXAMPLES	REVENUE SOURCE
Advertising	Yahoo.com	Fees from advertisers in exchange for advertisements
Subscription	WSJ.com, Consumerreports.org Sportsline.com	Fees from subscribers in exchange for access to content or services
Transaction Fee	eBay.com, E-Trade.com	Fees (commissions) for enabling or executing a transaction
Sales	Amazon.com, LLBean.com, Gap.com, Sears.com, JCPenny.com	Sales of goods, information, or services
Affiliate	MyPoints.com	Fees for business referrals

E-commerce Business Models and Concepts; Business Models, Revenue Models, and Business Processes

EXHIBIT 1.8 Common Revenue Models



The Commerce Value Chain (CVC)

1. Attract customers

- *Advertising, marketing: get and keep customer interest*

2. Interact with customers

- *Catalog, sales: turn customer's interest into order*

3. Act on customer instructions

- *Order management: capture customer's order , process payment and fulfillment of order*

4. React to customer requests

- *Customer service: provide order tracking and technical support*

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Components of the CVC

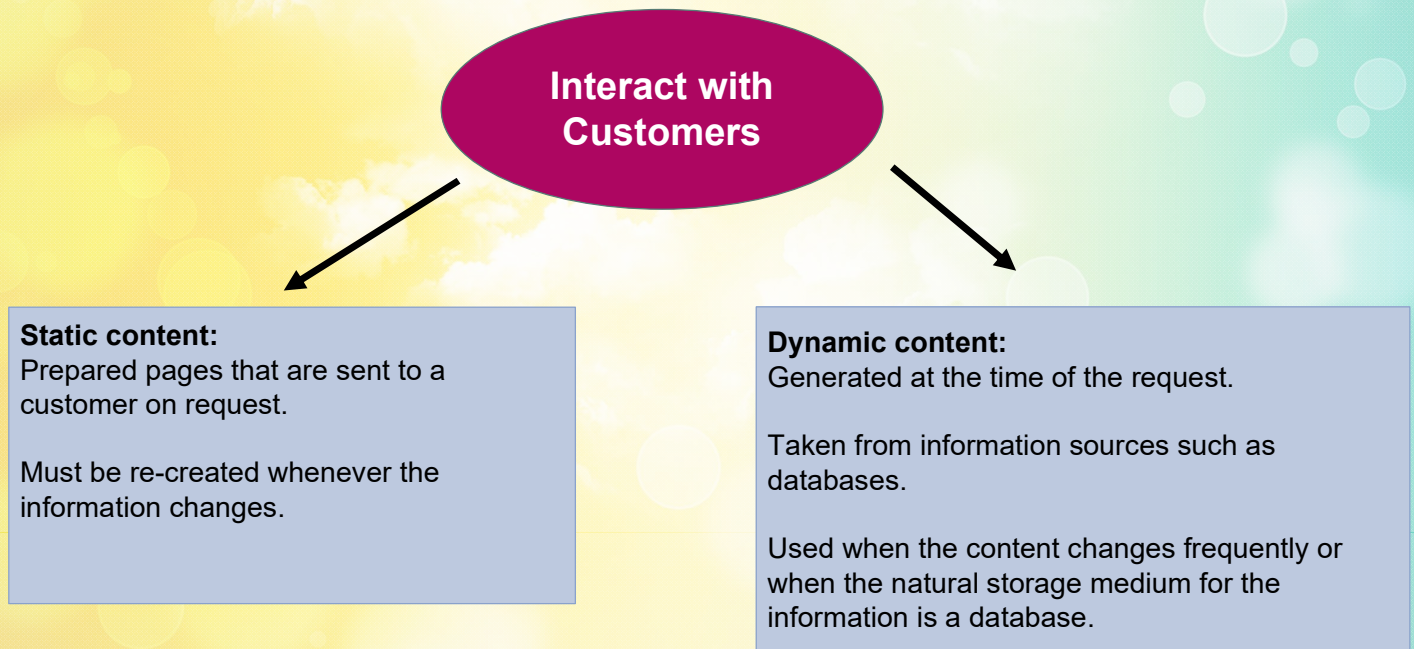
Attract Customers

- ☐ *Making an impression on customers and drawing them into the information about products and services for sale.*
- ☐ *Achieved by paid advertising on Web sites, e-mail, television, print, or other forms of advertising and marketing.*

Interact with Customers

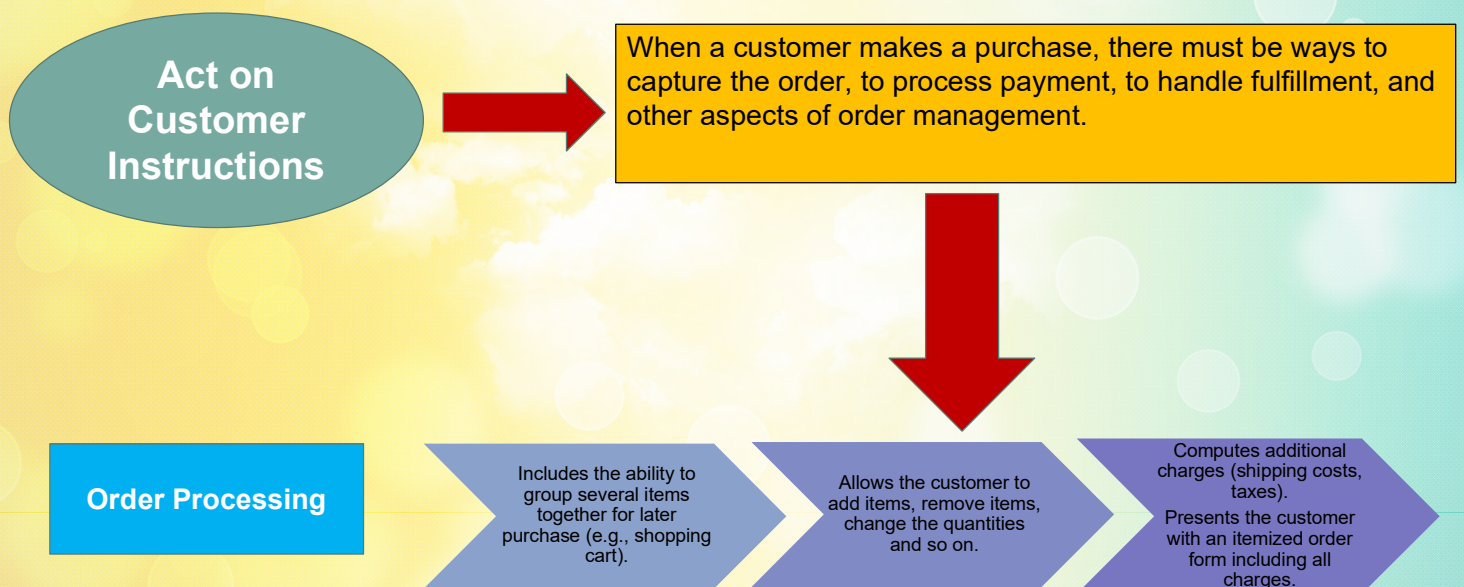
- ☐ *Turning customer's interest into orders.*
- ☐ *Content-oriented phase, including catalog, publications, or other information distributed by WWW, e-mail, or CDs etc.*
- ☐ *Content may be static or dynamic.*

Components of the CVC



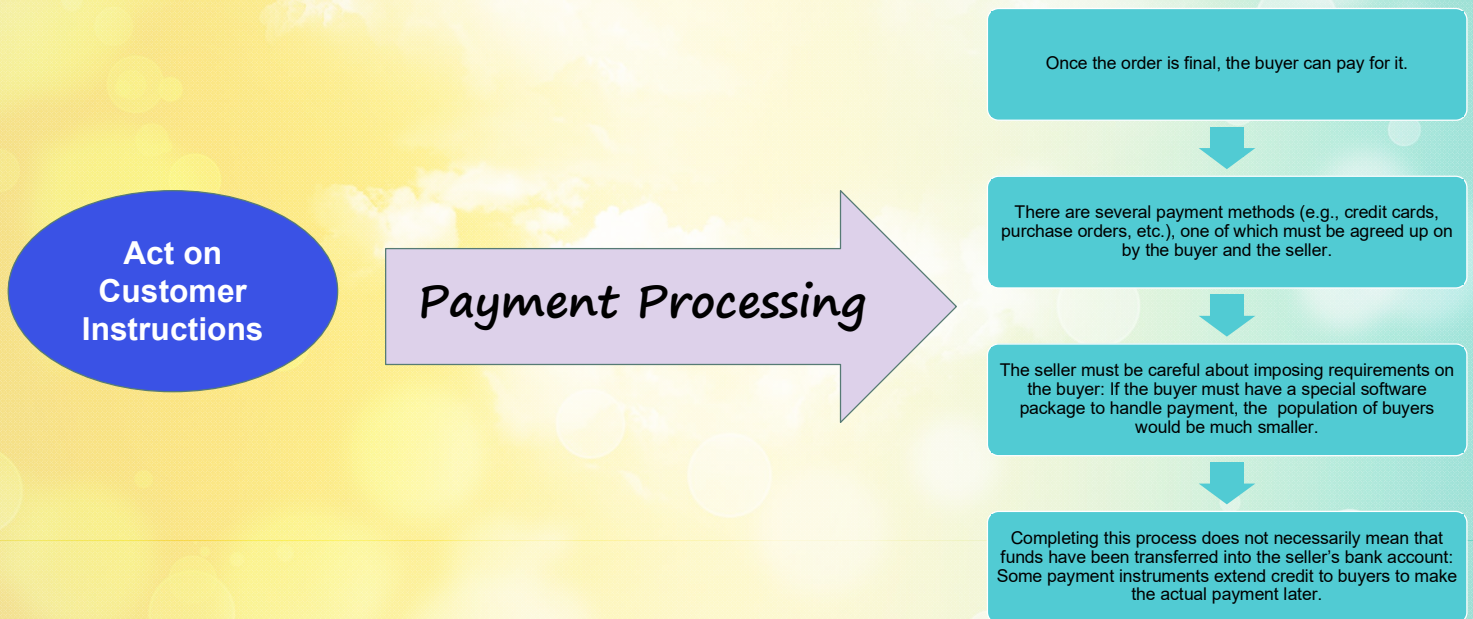
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Components of the CVC



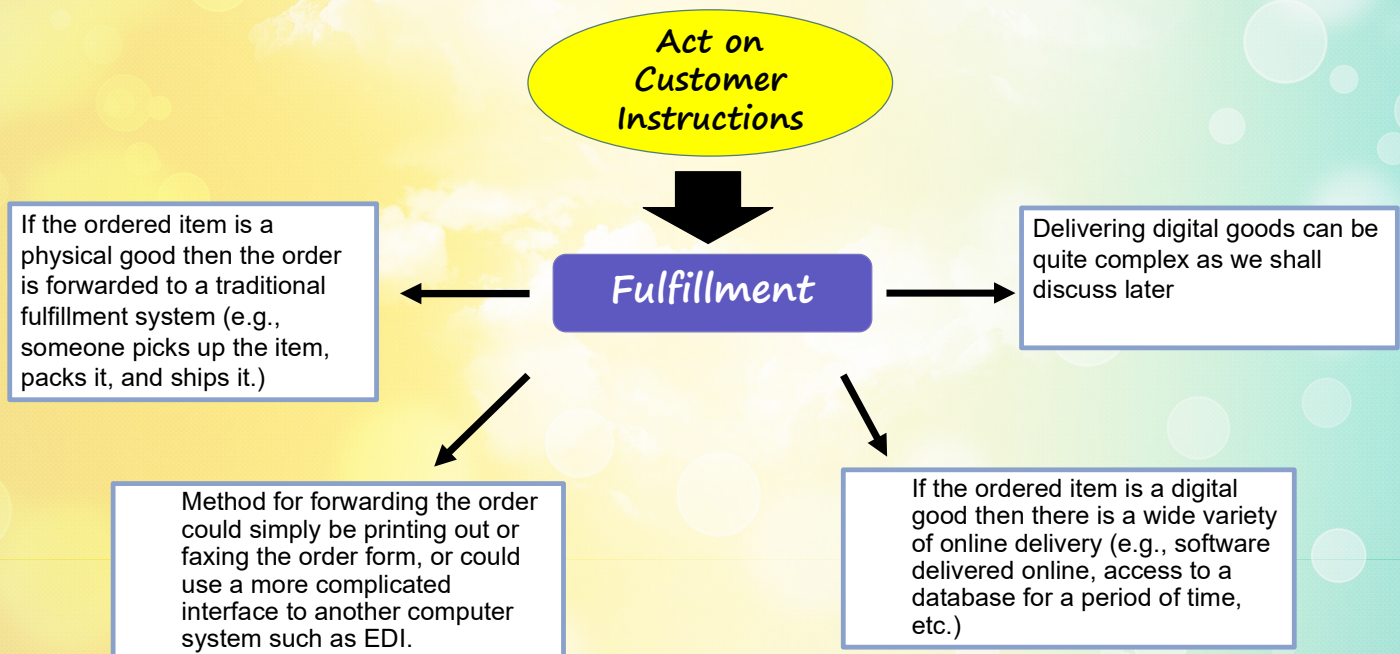
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Components of the CVC



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Components of the CVC



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Components of the CVC

React to Customer Inquiries

1. After a sale has been completed, the customer may have **some questions** or **may require some service**.
1. Some questions must be **answered by a person**, some can be **answered with an appropriate information system**.
1. A **transaction system** that **keeps track** of all of a **customer's purchases** can **generate a summary statement**.
1. A **more complicated example**: How the system handle a failure when delivering a digital good? (e.g., a network error causes the download of the digital good to fail.)
1. Customer needs **proof of purchase (receipt)** which **is accepted by the fulfillment server for another download**.
1. **Designing systems** that eliminate **the needs for customers to ask questions** (e.g. the use of receipt above).

Potential and challenges of E-Commerce.

Potential benefits :

1. More product/service selections
2. Higher Productivity
3. Improved accessibility and convenience
4. Better availability of information
5. Shorter lead time
6. Improved communication
7. Stronger competitive position

Potential and challenges of E-Commerce.

Challenges

Globalization issues	<ul style="list-style-type: none">- Language issue- Culture issue
Infrastructure issues	<ul style="list-style-type: none">- Internet infrastructure- Tele-communication- Flat-access system- International transactions

THE END