Chapter 4
Enabling Commerce Using the Internet

Coca-Cola is using social media to connect with customers.

Chapter 4

Learning Objectives

1. Describe electronic commerce, how it has evolved, and the strategies that companies are adopting to compete in cyberspace.
2. Explain the differences between extranets and intranets and show how organizations utilize these environments.
3. Describe the stages of business-to-consumer electronic commerce and understand the keys to successful electronic commerce applications.
4. Describe how people can participate in consumer-to-consumer electronic commerce and explain the different forms of Internet marketing.
5. Describe emerging issues and trends in electronic commerce.
6. Explain different forms of electronic government.

Electronic Commerce

Online exchange of goods, services, and money

Key Capabilities:
Integration

Where is the money...B2B or B2C?

Business to Business E-Commerce Model

Business to Consumer E-Commerce Model

This is where the big money is 97%

This is where the media is 3%

"There is no physical analog for what Amazon.com is becoming."

Jeff Bezos
Cofounder and long-time CEO of Amazon.com

Complete the following sentences:
1. Amazon.com is ____________
2. In the physical world, Amazon.com is like ____________________
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The Internet . . . A network of networks

- Computers and other devices capable of communicating
  - Servers, desktops and laptops
  - Phones, PDAs and other mobile devices
  - Xbox, Wii
  - Vending machines, appliances, etc.
- The infrastructure that connects them (fiber optics, copper, modems, routers, microwave, etc.)
- The software tools and protocols that make communication possible
- It is more than the World Wide Web!

As a result of the standards

- Things you probably take for granted...
  - You can retrieve material using a browser from any Web Server regardless of technology or location
  - You can send email to any email account regardless of technology or location
  - Dissimilar computers at multiple locations can function together to complete a process

Business-to-Business E-Commerce

- B2B involves exchanges between two or more businesses; these exchanges do not include end customers (consumers).
- Supply chain—companies and processes moving product from suppliers of raw materials to suppliers of intermediate components, to final production, to the customer.

Supply Network

- The farther out in the supply chain one looks, the more suppliers are involved, forming a supply network.

Electronic Data Interchange (EDI)

- The BigStore.com application can check whether a product is in stock at The Gap, or verify a customer’s credit card at GiantBank. BigStore.com doesn’t have to know the technology in use at The Gap or at GiantBank.
Extranet System Architecture

Tightly Integrated SCM vs. Portals

Business-to-Employee Electronic Commerce

- Business-to-employee (B2E) electronic commerce
- Internet-based private network using Web technologies
- Boeing
  - Intranet serves more than 200,000 employees.
  - More than 1 million pages
- **Intranet**—Used to facilitate secured transmission of proprietary information within companies.
- Intranets offer similar benefits as extranets.

Intranet System Architecture

Intranet Applications

- **Training**
  - Boeing’s Quality eTraining program
- **Personalized Intranet Pages**
  - Employee sees only content that pertains to his or her job.
- **Real-Time Access to Information**
  - Less complicated to manage, update, distribute, and access corporate information
  - Improve employee productivity
- **Online Entry of Information**
  - Paper-based human resources form: $20–$30
  - Web-based human resources form: $2–$4
- **Collaboration**
  - Timely communication of business activities

Intranet Collaboration Using Groupware
Lotus Notes

- Award-winning groupware application
- Millions of users worldwide

Video Conferencing

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E-Auctions

- Forward auction
  - Sellers post goods or services for sale.
  - Buyers bid on these items.
  - Highest bid wins.
- Reverse auction
  - Buyers post a request for quote (RFQ).
  - Seller proposes a bid.
  - Lowest seller bid wins.
  - This is frequently in B2B e-commerce.

E-Auction Fraud

- E-auctions marred with more fraud than any other Internet activity.
  - E-auctions represent 45 percent of all Internet fraud-related complaints.
  - Average loss: $724
- Types of e-Auction fraud:
  - Bid luring
  - Reproductions
  - Bid shielding
  - Shipping fraud
  - Payment failure
  - Nonshipment
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M-Commerce Applications

- Purchasing and Other Financially Related Transactions
- Online purchasing of goods and services
- Internet purchases
- Electronic banking/fraud services
- M-fees
- Sending machine purchases
- Stock trading and other investments
- Paying bills
- Reserving and/or Booking
- Reserving and purchasing tickets for airlines, movies, concerts, or sporting events
- Reservations for restaurants or hotels
- Entertainment and Information
- Downloading and playing games
- Streaming media for movies or music
- General information such as news and weather
- Accessing corporate extranets/intranets

Payment Services

- Online transactions without sharing private information with actual seller
- Payment service keeps information secure.
  - PayPal (owned by eBay)
    - Can send and receive money if you have an e-mail account.
  - Google Checkout
    - Linked with Google search
    - Users can see if merchants offer this option.

Legal Issues in EC—Taxation

- The Internet Tax Freedom Act (1998)
- Internet sales treated as mail-order sales
- No sales taxes paid in states where the company has no presence

Arguments for and against Ecommerce Taxation:

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<thead>
<tr>
<th>For</th>
<th>Against</th>
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<tbody>
<tr>
<td>Reduces tax income of local, state, and</td>
<td>Shows EC growth and opportunity</td>
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<td>federal governments</td>
<td></td>
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<tr>
<td>Provides unfair advantage for online</td>
<td>Creates an opportunity for consumer fraud</td>
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<tr>
<td>sellers over brick and mortar stores</td>
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<td>Creates accountability for e-taxes</td>
<td>Driving EC businesses to other countries</td>
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E-Government

- Providing information about public services
  - To citizens
  - To organizations
  - To other governmental agencies
- 1998—Government Paperwork Elimination Act