Chapter 4 - Enabling Business-to-Consumer Electronic Commerce

The Internet and World Wide Web are extremely well suited for conducting business electronically on a global basis.
“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 _______________________________________________
Chapter 4 Learning Objectives
After this chapter, you will be able to:

**Electronic Commerce Defined**
- Describe electronic commerce, how it has evolved, and the strategies that companies are adopting to compete in cyberspace.

**Business-to-Consumer E-Commerce and Internet Marketing**
- Describe the stages of business-to-consumer electronic commerce, understand the keys to successful electronic commerce applications, and explain the different forms of Internet marketing.

**Mobile Commerce, Consumer-to-Consumer EC, and Consumer-to-Business EC**
- Describe mobile commerce, consumer-to-consumer electronic commerce, and consumer-to-business electronic commerce.

**Managing Finances and Navigating Legal Issues in EC**
- Describe how to conduct financial transactions and navigate the legal issues of electronic commerce.

**E-Government**
- Explain different forms of electronic government.
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Electronic Commerce Defined

- Electronic Commerce
  “the exchange of goods, services, and money among firms, between firms and their customers, and between customers, supported by communication technologies and, in particular, the Internet”
Question

• What are the most common types of E-Commerce?
## Electronic Commerce Defined: Types of Electronic Commerce (EC)

<table>
<thead>
<tr>
<th>Type of EC</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business-to-consumer (B2C)</td>
<td>Transactions between businesses and their customers</td>
</tr>
<tr>
<td>Business-to-business (B2B)</td>
<td>Transactions among businesses</td>
</tr>
<tr>
<td>Consumer-to-business (C2B)</td>
<td>Transactions between customers and businesses</td>
</tr>
<tr>
<td>Consumer-to-consumer (C2C)</td>
<td>Transactions between people not necessarily working together</td>
</tr>
<tr>
<td>Government-to-citizen (G2C)</td>
<td>Transactions between a government and its citizens</td>
</tr>
<tr>
<td>Government-to-business (G2B)</td>
<td>Transactions between a government and businesses</td>
</tr>
<tr>
<td>Government-to-government (G2G)</td>
<td>Transactions among governments</td>
</tr>
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</table>
Where is the money...B2B or B2C?

Business to Business E-Commerce Model with an Electronic Marketplace

Business to Consumer E-Commerce Model
Key Capabilities: Integration
Question

• What type of integration exists between organizations?
Key Capabilities:
Mass Customization
Key Capabilities:
Interactive Communication
Key Capabilities: Transaction Support
Question

• What do we mean when we say an organization is...
  – Brick and Mortar
  – Click and Mortar
  – Click only

• Examples?
EC Business Strategies

- Brick and Mortar
- Click and Mortar
- Click Only
## EC Business Strategies: Revenue Models

<table>
<thead>
<tr>
<th>Revenue Type</th>
<th>Description</th>
<th>Who is Doing This?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affiliate marketing</td>
<td>Paying businesses that bring or refer customers to another business</td>
<td>Amazon.com’s Associates program</td>
</tr>
<tr>
<td>Subscription</td>
<td>Users pay a monthly or yearly recurring fee for the product/service</td>
<td>Netflix.com, World of Warcraft</td>
</tr>
<tr>
<td>Licensing</td>
<td>Users pay a fee for using protected intellectual property</td>
<td>Symantec, Norton</td>
</tr>
<tr>
<td>Transaction fees/Brokerage</td>
<td>A commission is paid to the business for aiding in the transaction</td>
<td>PayPal.com, eBay.com, Groupon.com</td>
</tr>
<tr>
<td>Traditional sales</td>
<td>A consumer buys a product/service from the Web site</td>
<td>Nordstrom.com, iTunes.com</td>
</tr>
<tr>
<td>Web advertising</td>
<td>A free service/product is supported by advertising on the Web site</td>
<td>Facebook.com, Answers.com</td>
</tr>
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</table>
Question

• What is the difference between...
  – The Internet
  – An Extranet
  – An Intranet
The Internet . . . A network of networks

- Computers and other devices capable of communicating
  - Servers, desktops and laptops
  - Phones, PDAs and other mobile devices
  - Xbox 360, 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.
Question

• What is EDI and what do companies do with it?

• What’s older, EDI or you?

• What’s older, EDI or me?
Electronic Data Interchange (EDI)
The BigStore.com application can check whether a product is in stock at The Gap, or the 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
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 see 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-base human resourced form: $20–$30
  - Web-based human resourced form: $2–$4

- **Collaboration**
  - Timely communication of business activities
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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
Mobile EC

• Location-Based M-Commerce
  – Services can be offered tailored to a person’s needs based on their current location

• Information on the Go
  – Customers can get further information about a product wherever they are, including in the store, but this can lead to “showrooming”

• Product and Content Sales
  – Consumers use mobile apps to make purchases while on-the-go
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E-Banking

• Online Banking
  – Convenience
  – Security Concerns
  – Mobile banking

• Online Investing
  – Increased access to financial information and analytical tools
  – Online investing
  – Mobile investing
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.
Securing Payments in the Digital World

• Credit and Debit Cards
  – Credit Cards are a simple mechanism
  – Consumers have to transfer a lot of personal information to the seller

• Managing Risk
  – Businesses are financially liable for fraudulent transactions
  – Businesses have to look for fraud indicators and sometimes reject risky transactions
Legal Issues in EC

• Taxation
  – Sales Taxes

• Digital Rights Management
  – Preventing unauthorized duplication
  – Restrict which devices can play media
  – Limit number of times media can be played
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:

<table>
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<th>Against</th>
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<td>Reduces tax income of local, state, and federal governments</td>
<td>Slows EC growth and opportunity</td>
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<tr>
<td>Provides unfair advantage for e-tailers over brick-and-mortar stores</td>
<td>Creates an opportunity for consumer fraud</td>
</tr>
<tr>
<td>Creates accountability for e-tailers</td>
<td>Creates a nongeographic economy where poorer states could grow</td>
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<tr>
<td></td>
<td>Drives EC businesses to other countries</td>
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E-Government

- Government-to-Citizens
- Government-to-Business
- Government-to-Government