

“E-commerce : Digital  
markets, digital goods



### Learning Objectives

- “ What are the unique features of e-commerce, digital markets, and digital goods?
- “ What are the principal e-commerce business and revenue models?
- “ How has e-commerce transformed marketing?
- “ How has e-commerce affected business-to-business transactions?
- “ What is the role of m-commerce in business and what are the most important m-commerce applications?
- “ What issues must be addressed when building an e-commerce Web site?



### 4FOOD: Burgers Go Social

“ **Problem** - Differentiate a burger restaurant's services in crowded marketplace (Manhattan)

“ **Solution** – Utilize social networking and crowdsourcing for marketing and services

“ Ordering via iPad, online

“ Customers can create and name own sandwiches

“ Twitter, Facebook, Foursquare integration

“ **Illustrates:** Use of information systems to create new products and services

“ **Demonstrates:** Use of social networking technologies as marketing tool



**E-commerce and the Internet**

**“ E-commerce today:**

**“ Use of the Internet and Web to transact business; digitally enabled transactions**

**“ Began in 1995 and grew exponentially, still growing even in a recession**

**“ Companies that survived the dot-com bubble burst and now thrive**

**“ E-commerce revolution is still in its early stages**

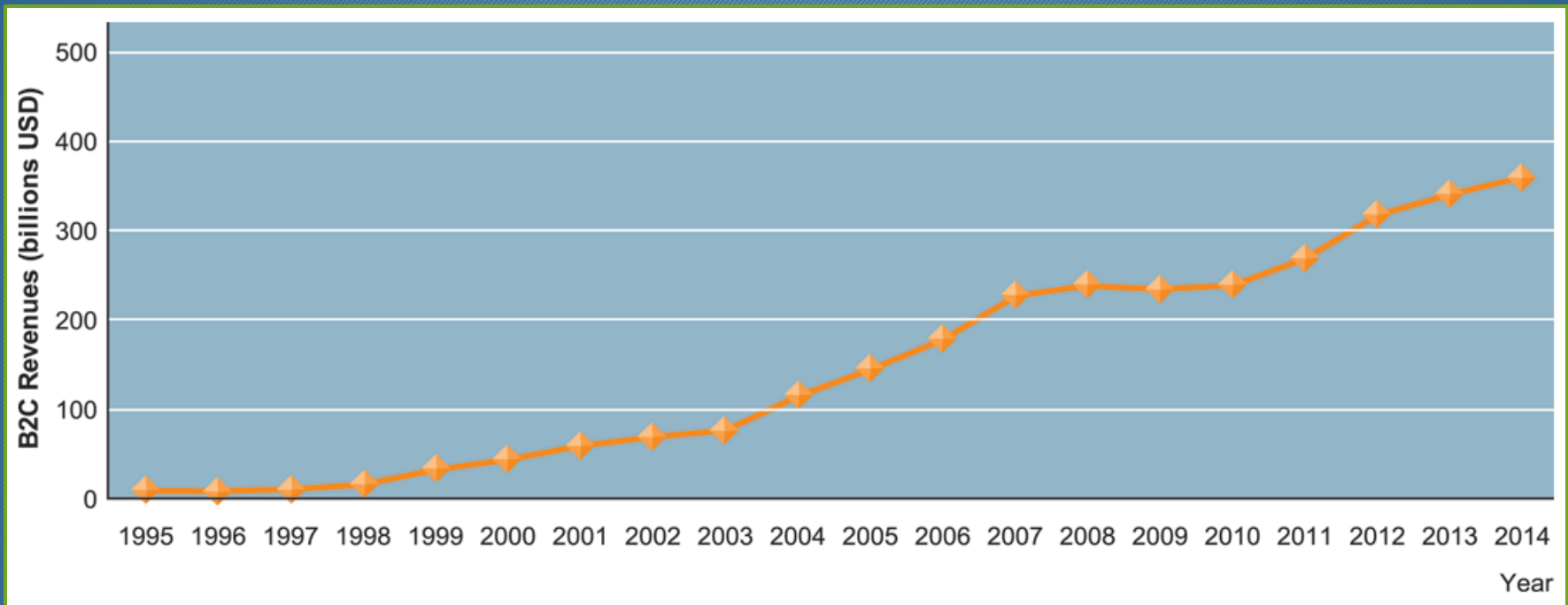


# Management Information Systems

## CHAPTER 10: E-COMMERCE: DIGITAL MARKETS, DIGITAL GOODS

### E-commerce and the Internet

#### THE GROWTH OF E-COMMERCE



**FIGURE 10-1**

Retail e-commerce revenues grew 15–25 percent per year until the recession of 2008–2009, when they slowed measurably. In 2010, e-commerce revenues are growing again at an estimated 12 percent annually.



E-commerce and the Internet

“ Why e-commerce is different – 8 unique features

1. Ubiquity

“ Internet/Web technology available everywhere: work, home, etc., anytime.

“ Effect:

“ Marketplace removed from temporal, geographic locations to become “marketspace”

“ Enhanced customer convenience and reduced shopping costs



E-commerce and the Internet

“ 8 unique features (cont.)

2. Global reach

“ The technology reaches across national boundaries, around Earth

“ Effect:

“ Commerce enabled across cultural and national boundaries seamlessly and without modification

“ Marketplace includes, potentially, billions of consumers and millions of businesses worldwide



E-commerce and the Internet

“ 8 unique features (cont.)

3. Universal standards

“ One set of technology standards: Internet standards

“ Effect:

“ Disparate computer systems easily communicate with each other

“ Lower market entry costs—costs merchants must pay to bring goods to market

“ Lower consumers' search costs—effort required to find suitable products



E-commerce and the Internet

“ 8 unique features (cont.)

4. Richness

“ Supports video, audio, and text messages

“ Effect:

“ Possible to deliver rich messages with text, audio, and video simultaneously to large numbers of people

“ Video, audio, and text marketing messages can be integrated into single marketing message and consumer experience



E-commerce and the Internet

“ 8 unique features (cont.)

5. Interactivity

“ The technology works through interaction with the user

“ Effect:

“ Consumers engaged in dialog that dynamically adjusts experience to the individual

“ Consumer becomes co-participant in process of delivering goods to market



E-commerce and the Internet

“ 8 unique features (cont.)

6. Information density

“ Large increases in information density—the total amount and quality of information available to all market participants

“ Effect:

“ Greater price transparency

“ Greater cost transparency

“ Enables merchants to engage in price discrimination



E-commerce and the Internet

“ 8 unique features (cont.)

7. Personalization/Customization

“ Technology permits modification of messages, goods

“ Effect

“ Personalized messages can be sent to individuals as well as groups

“ Products and services can be customized to individual preferences



E-commerce and the Internet

“ 8 unique features (cont.)

8. Social technology

“ The technology promotes user content generation and social networking

“ Effect

“ New Internet social and business models enable user content creation and distribution, and support social networks



E-commerce and the Internet

““ Key concepts in e-commerce

““ Digital markets reduce

““ Information asymmetry

““ Search costs

““ Transaction costs

““ Menu costs

““ Digital markets enable

““ Price discrimination

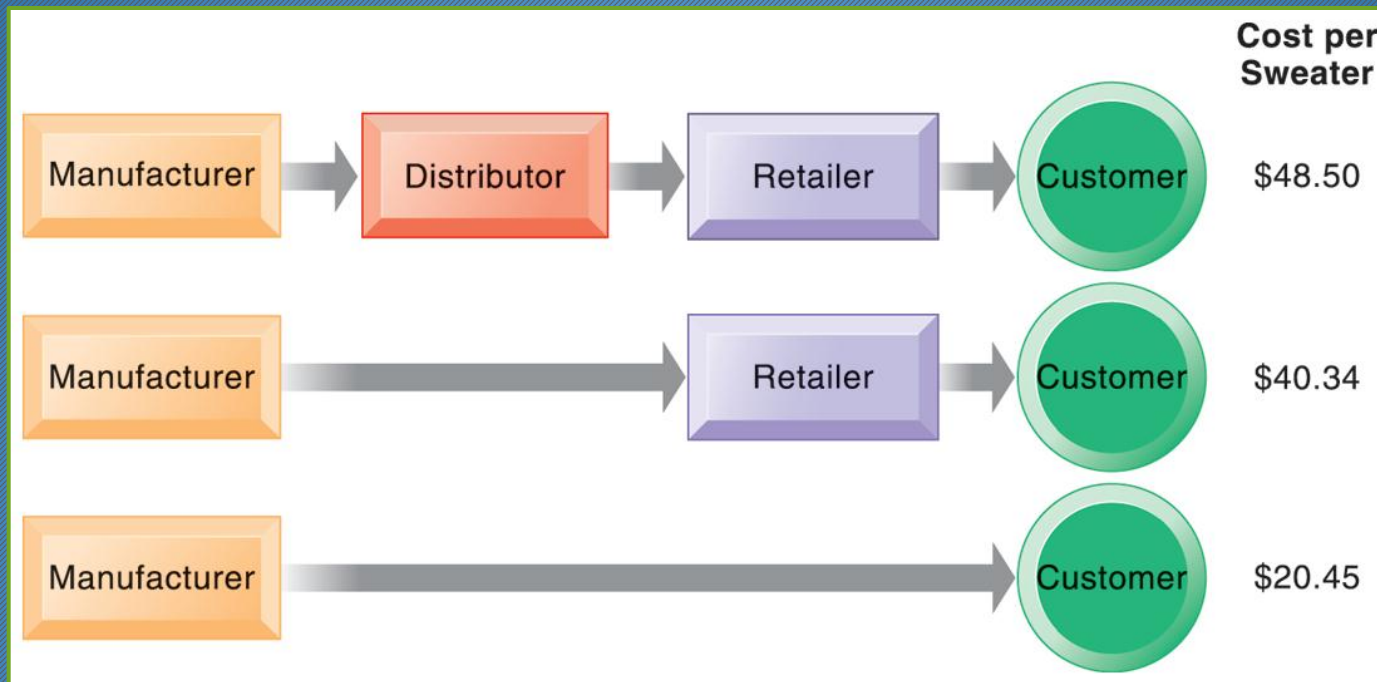
““ Dynamic pricing

““ Disintermediation



### E-commerce and the Internet

#### THE BENEFITS OF DISINTERMEDIATION TO THE CONSUMER



**FIGURE 10-2**

The typical distribution channel has several intermediary layers, each of which adds to the final cost of a product, such as a sweater. Removing layers lowers the final cost to the consumer.



### E-commerce and the Internet

#### ““ Key concepts in e-commerce

##### ““ Digital goods

““ Goods that can be delivered over a digital network

““ E.g. Music tracks, video, software, newspapers, books

““ Cost of producing first unit almost entire cost of product: marginal cost of 2nd unit is about zero

““ Costs of delivery over the Internet very low

““ Marketing costs remain the same; pricing highly variable

““ Industries with digital goods are undergoing revolutionary changes (publishers, record labels, etc.)



**E-commerce: Business and Technology**

**“Types of e-commerce**

- **Business-to-consumer (B2C)**
- **Business-to-business (B2B)**
- **Consumer-to-consumer (C2C)**
- **Mobile commerce (m-commerce)**



**E-commerce: Business and Technology**

**“ E-commerce business models**

**“ Portal**

**“ E-tailer**

**“ Content Provider**

**“ Transaction Broker**

**“ Market Creator**

**“ Service Provider**

**“ Community Provider**