E-commerce 2014

business. technology. society.

tenth edition

Kenneth C. Laudon

Carol Guercio Traver

Chapter 1

The Revolution Is Just Beginning

E-commerce Trends 2013–2014

- **Expansion of social, local, and mobile e-commerce**
- **Mobile platform begins to rival PC platform**
- **Continued growth of cloud computing**
- **Explosive growth in "Big Data"**
- **E-books gain wide acceptance**
- **Continued growth of user-generated content**

The First 30 Seconds

- **First 17 years of e-commerce**
  - ❖ Just the beginning
  - ❖ Rapid growth and change
- **Technologies continue to evolve at exponential rates**
  - ❖ Disruptive business change
  - ❖ New opportunities

What Is E-commerce?

- **Use of Internet and Web to transact business**

- **More formally:**
  - Digitally enabled commercial transactions between and among organizations and individuals

E-commerce vs. E-business

■ **E-business:**

  ❖ Digital enabling of transactions and processes within a firm, involving information systems under firm's control

  ❖ Does not include commercial transactions involving an exchange of value across organizational boundaries

Why Study E-commerce?

- **E-commerce technology is different, more powerful than previous technologies**

- **E-commerce brings fundamental changes to commerce**

- **Traditional commerce:**
  - ❖ Consumer as passive targets
  - ❖ Mass-marketing driven
  - ❖ Sales-force driven
  - ❖ Fixed prices
  - ❖ Information asymmetry

Eight Unique Features of E-commerce Technology

1. **Ubiquity**
2. **Global reach**
3. **Universal standards**
4. **Information richness**
5. **Interactivity**
6. **Information density**
7. **Personalization/customization**
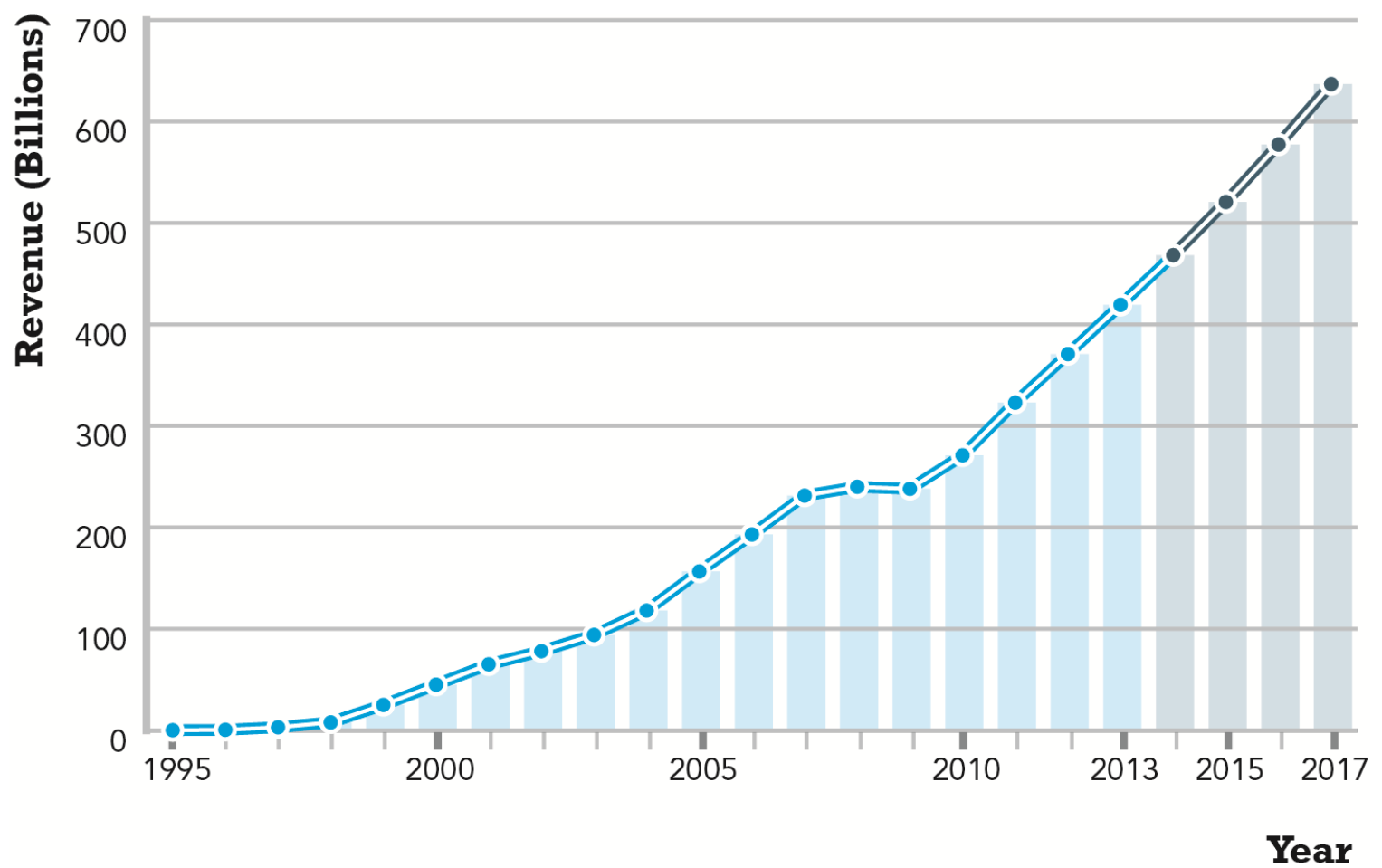8. **Social technology**

Types of E-commerce

- *May be classified by market relationship or technology*

- **Business-to-Consumer (B2C)**

- **Business-to-Business (B2B)**

- **Consumer-to-Consumer (C2C)**

- **Social e-commerce**

- **Mobile e-commerce (M-commerce)**

- **Local e-commerce**

The Growth of B2C E-commerce
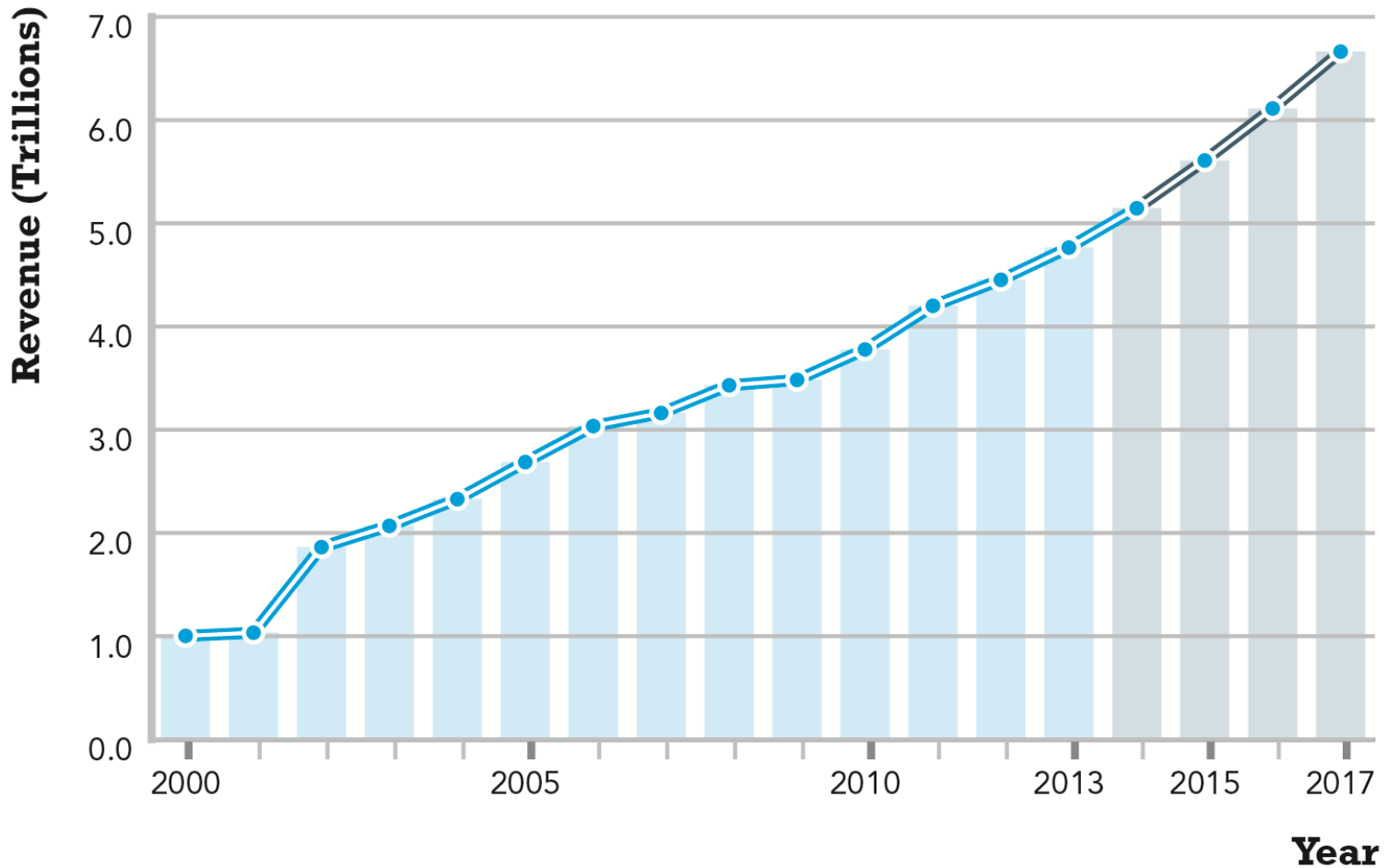
Figure 1.3, Page 20

SOURCE: Based on data from eMarketer, Inc., 2013a; authors' estimates.

The Growth of B2B E-commerce

Figure 1.4, Page 21

SOURCE: Based on data from U.S. Census Bureau, 2013; authors' estimates.

The Mobile Platform

- **Most recent development in Internet infrastructure**

- **Enables access to the Internet via wireless networks or cell-phone service**

- **Mobile devices include**
  - ❖ Tablets
  - ❖ Smartphones
  - ❖ Ultra-lightweight laptops

Will Apps Make the Web Irrelevant?

- **What are the advantages and disadvantages of apps, compared with Web sites, for mobile users?**

- **What are the benefits of apps for content owners and creators?**

- **Will apps eventually make the Web irrelevant? Why or why not?**

Origins and Growth of E-commerce

- **Precursors:**
  - ❖ Baxter Healthcare
  - ❖ Electronic Data Interchange (EDI)
  - ❖ French Minitel (1980s videotex system)
  - ❖ None had functionality of Internet
- **1995: Beginning of e-commerce**
  - ❖ First sales of banner advertisements
- **E-commerce fastest growing form of commerce in United States**

E-commerce: A Brief History

■ **1995–2000: Invention**

  ❖ Key concepts developed

  ❖ Limited bandwidth and media

  ❖ Euphoric visions of

  ■ Friction-free commerce

  ❖ Lowered search costs, disintermediation, price transparency, elimination of unfair competitive advantage

  ■ First-mover advantages

  ❖ Network profits

  ❖ Dot-com crash of 2000

E-commerce: A Brief History (cont.)

- **2001–2006: Consolidation**
  - ❖ Emphasis on business-driven approach
  - ❖ Traditional large firms expand presence
  - ❖ Start-up financing shrinks up
  - ❖ More complex products and services sold
  - ❖ Growth of search engine advertising
  - ❖ Business Web presences expand to include e-mail, display and search advertising, and limited community feedback features

E-commerce: A Brief History (cont.)

■ **2007–Present: Reinvention**

❖ Rapid growth of:
  - Online social networks
  - Mobile platform
  - Local commerce

❖ Entertainment content develops as source of revenues

❖ Transformation of marketing
  - Coordinated marketing on social, mobile, local platforms
  - Analytic technologies

Assessing E-commerce

- **Many early visions not fulfilled**
  - ❖ Friction-free commerce
    - ■ Consumers less price sensitive
    - ■ Considerable price dispersion
  - ❖ Perfect competition
    - ■ Information asymmetries persist
  - ❖ Intermediaries have not disappeared
  - ❖ First mover advantages
    - ■ Fast-followers often overtake first movers

Predictions for the Future

- **Technology will propagate through all commercial activity**

- **Large, traditional companies will continue to play dominant role, consolidating audiences**
  - ❖ Start-up ventures can still attract large audiences in non-dominated arenas

- **Integrated online/offline companies will experience more growth than purely online companies**

- **Additional factors:**
  - ❖ Increased regulation and control
  - ❖ Cost of energy

Thank You!