Chapter 10
E-Commerce: A Revolution in the Way We Do Business

Chapter 10 Objectives
- Understand how e-commerce has changed today’s business practices
- Identify various e-commerce revenue streams
- Discuss the positive impact of e-commerce on global society
- Know how e-retailing works
- Differentiate between the various e-commerce business models:
  - business-to-consumer, consumer-to-consumer, business-to-business, and business-to-employee
- Identify e-commerce market sectors
- Discuss issues associated with building an electronic storefront, accepting payment, managing product delivery, designing a site, managing the site, and promoting the site

What Is E-Commerce?

What is electronic commerce (e-commerce)?
- Financial business transaction that occurs over an electronic network
- Sometimes called e-business

What Is E-Commerce?

How are e-commerce transactions conducted?
- Primarily through desktop computers
- Wirelessly using handheld Web-enabled devices

What Is E-Commerce?

What is a bricks-and-mortar business?
- Company with a physical location, such as Wal-Mart or Kmart

What Is E-Commerce?

What is a clicks-and-mortar business?
- Company with a bricks-and-mortar location as well as an online presence
- Some companies have online presence without physical locations:
  - E-Trade and Amazon.com

What Is E-Commerce?

M-commerce
E-commerce that takes place using mobile devices
What is E-Commerce?

How has e-commerce grown?
- Estimates are that by 2005 worldwide e-commerce will exceed $5 trillion

E-Commerce Business Models

What is business-to-consumer (B-to-C or B2C) e-commerce?
- Sale of products or services from a business to the general public

How might a B2C e-commerce business operate?
1. Customers buy products and services online
2. Network contains Web hosting, security, and backup
3. Warehouse receives and fulfills order

Business benefits of B2C
- Personalize offerings to customer's profile

Consumer benefits of B2C
- Access to variety of products and services without constraints of time or distance

What is disintermediation?
- Sell products to consumers without using traditional retail channels
- Enables companies to maximize benefits by eliminating middleman

What is consumer-to-consumer (C-to-C or C2C) e-commerce?
- Individuals using Internet to sell products to other individuals
  - Online auction, such as eBay

What is peer-to-peer (P2P) e-commerce?
- Users connect to each other’s hard disks and exchange files directly
- Consumer can pay another consumer to copy file
**E-Commerce Business Models**

**What is business-to-business (B-to-B or B2B) e-commerce?**

- Sale and exchange of products and service between businesses
- Many businesses engage in both B2B and B2C
- Supply chain creates and distributes products

**What are four basic types of B2B e-commerce sites?**

- **vendor B2B**: Product supplier allows purchasing agents to use network to shop, submit request for quotes (RFQs), and purchase items
- **brokering B2B**: Acts as middleman by negotiating contract of purchase and sale
- **service B2B**: Uses network to provide one or more services to business
- **infomediary B2B**: Provides specialized information about suppliers and other businesses

**What is vertical B2B e-commerce?**

- E-commerce site specializing in a particular industry

**What is business-to-employee (B-to-E or B2E) e-commerce?**

- Use of intranet technology to handle activities that take place within a business
- Increases profits by reducing expenses within a company

**What are some advantages of e-commerce?**

- Global market 24/7
- Businesses have access to 459 million people with Internet access
- Customers can conduct price comparisons easily
- Feedback can be immediate
- Changing information can be available quickly
- FAQ (frequently asked questions) pages can provide easy access to customer support
- Ability to gather customer information, analyze it, and react
- New and traditional approaches to generating revenue
- Manufacturers can buy and sell directly, avoiding the cost of the middleman
- Distribution costs for information reduced or eliminated
- Options to create a paperless environment

**What is a revenue stream?**

- Method a business uses to generate income
- Single Web site may use more than one method of generating revenue

**E-Commerce Revenue Streams**

- Direct sales of a product or service
- Software rentals
- Online storage services
- Advertising
- Electronic software distribution
- Web hosting
- Internet access
- Subscriptions
E-Commerce Revenue Streams

What is electronic software distribution (ESD)?

- Sale of digital products such as software, music, movies, books, and photographs
- Purchase entitles you to download one copy of item

How is revenue generated with software rental?

- ASP charges a rental fee before you can access and use Web application software
- Microsoft’s Web applications are called .NET

What is advertisement revenue?

- Sites earn commissions from advertising sponsor when visitors make purchases as a result of clicking advertisement on Web page

How is revenue generated with an informational Web site?

- Visitors are required to subscribe to service
- Provides some information at no cost, but requires a subscription to access content of entire site

What is a Web hosting service?

- Assists people and companies in hosting their Web site
- Provides hardware, software, and communications required for a Web server
- Some provide services that include managing payments and tracking inventory

How is revenue generated with Internet access?

- Some sites, such as MSN and AOL, provide Internet access
- Many have become portals offering other services
The E-Retailing Market Sector

What is an electronic storefront?
- Web site where e-retailer displays its products
- Shopping cart allows customer to collect purchases
- Also called online catalog

What is a secure checkout?
- Web site where customer enters personal and financial data
- Transaction and financial data automatically are verified at a banking Web site

Other E-Commerce Market Sectors on the Web

What is online banking?
- Pay bills from your computer
- Transfer money electronically from your account to a payee’s account

What is online trading?
- Invest online in stocks, options, bonds, treasuries, CDs, money markets, annuities, and mutual funds without using a broker
- Transaction fees are less expensive

What travel services are available on the Web?
- Driving directions and maps
- Airline, hotel, and car reservations

What is a shopping bot?
- Web site that searches for the best price on a specific product
- Also called a shopbot
Other E-Commerce Market Sectors on the Web

What health services are available on the Web?
• Provide up-to-date medical, fitness, nutrition, or exercise information
• Pharmacies allow customers to refill prescriptions and ask questions

What are other Web-based business services?
• Public relations
• Software consulting
• Recruiting
• Internet access
• Training
• Sales
• Market research
• Direct mail
• Technical support
• Online advertising

Creating an Online Store

What decisions should be made to create an online store?
• Develop in-house storefront
• Outsource storefront

What options are available for building a storefront?
• Allow merchant to set up a storefront
• Includes security
• Some include statistical tracking features and capability of integrating with other systems

What is a secure server?
• Prevents access to system by unauthorized users
• Used for transactions involving credit card information

Secure sites have URLs that begin with https:// instead of http://
Creating an Online Store

What is a Web site development service?
- Assists in process of creating a storefront
- Allows small businesses and individuals to participate in e-commerce arena

anyone can create a storefront and sell goods through the Yahoo! portal

What factors lead to customer loyalty?
- Best storefronts are efficient and easy to use
- Customers who must wait more than eight seconds for a page to download usually will click to another site

What is electronic Customer Relationship Management (eCRM)?
- Service after a sale
- Combines personalized touch and customized service to customers
- Automatic e-mail to confirm orders, display FAQ, and send surveys

What is e-mail publishing?
- Process of sending newsletters via e-mail to large group of people with similar interests

Selecting a domain name
- Name should correspond to business name or function
- Domain name is registered with various search engines

Web-based business in which you typically pay a fee to register with hundreds of search engines
What is spam?
- Unsolicited e-mail messages or newsgroup postings
- Internet junk mail
- Usually generates antagonism instead of sales

Summary of E-Commerce: A Revolution in the Way We Do Business
- What is e-commerce?
- E-commerce business models
- E-commerce revenue streams
- The e-retailing market sector
- Other e-commerce market sectors on the Web
- Creating an online store

Chapter 10 Complete