

E-commerce chapter essay



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What Is e-commerce? How does It defer from e-business? Where does It Intersect with e-business? E-commerce, in the popular sense, can be defined as: the use of the Internet and the Web to conduct business transactions. A more technical definition would be: e-commerce involves digitally enabled commercial transactions between and among organizations and individuals. E-commerce differs from e-business in that no commercial transaction, an exchange of value across organizational or Individual boundaries, takes place In e-business.

E-business Is the digital ennoblement of transactions and processes within a firm and therefore does not include any exchange in value. E-commerce and e-business intersect at the business firm boundary at the point where Internal business systems link up with suppliers. For instance, e-business turns into e-commerce when an exchange of value occurs across firm boundaries.

2. What is information asymmetry? Information asymmetry refers to any disparity in relevant market information among the parties Involved In a transaction. It generally applies to Information about price, cost, and hidden fees. . What are some of the unique features of e-commerce technology? The unique features of e-commerce technology include: Ubiquity: It is available Just about everywhere and at all times. Global Reach: the potential market size Is roughly equal to the size of the online population of the world. Universal standards: The technical standards of the Internet, and therefore of conducting e-commerce, are shared by all of the nations in the world. Richness: Information that Is complex and content rich can be delivered without sacrificing reach. Interactivity: E-commerce technologies allow two-way communication between the merchant and the

consumer. Information density: The total amount ND quality of information available to all market participants Is vastly Increased and is cheaper to deliver. Personalization/Customization: E-commerce technologies enable merchants to target their marketing messages to a person’s name, interests, and past purchases. They allow a merchant to change the product or service to suit the purchasing behavior and preferences of a consumer. Social technology: user content generation and social networking technologies 4.

What is a marketplace? A marketplace is a marketplace that is extended beyond traditional boundaries because It Is removed from the restrictions of geography and time. The ubiquity of e- commerce technologies liberates the market from these limitations. 5. What are three benefits of universal standards? The benefits of universal standards are: reduced search costs for consumers becomes simpler, faster, with more accurate price discovery lower market entry costs for merchants 6.

Compare online and traditional transactions in terms of richness. Traditional transactions can provide more richness in terms of face-to-face service including visual and aural cues. However, traditional transactions are limited in terms of how many people can be reached at a single time. Online transactions, which can be global in reach, can provide content that is both complex and rich, overcoming the traditional trade-off between reach and richness. 7. Name three of the business consequences that can result from growth in information density.

Growth in information density could result in: Greater price transparency: Consumers can easily find out the variety of prices in a market. Greater cost transparency: Consumers can discover the actual costs merchants pay for

products. Greater opportunities for marketers to practice price discrimination: since marketers are able to gather much more information about their customers, they can segment the market into groups based on willingness to pay different prices for the same or nearly the same goods. 8.

What is Web 2.0? Give examples of Web 2.0 sites and explain why you included them in your list. Web 2.0 is a set of applications and technologies that allows users to create, edit, and distribute content; share preferences, bookmarks, and online personas; participate in virtual lives; and build online communities. In other words, Web 2.0 is the set of new, advanced applications that have evolved along with the Web's ability to support larger audiences and more involved content. Students may list Backbone, Namespace, Youth, Photometer, Google, Wisped, Second Life, Dig, and Wordless, among others, as example sites. . Give examples of BBC, EBB, ICC, and POP Web sites besides those listed in the chapter materials. The answers to this question will vary. Possible examples include: BBC: E-tellers: Bluffly Barefacedness. Com followers. Com Goodie. Com Wine. Com ERE. Com BBC: Service Providers: Traceability BBC: portals: Yahoo BBC: Content Providers: Waistline. Com Consumerists. Com EBB: Grainier. Com Arabia Perfectionism Quadrant CE: Half. Com Velazquez Ibid Oldness Unwanted POP: Streetcars Networks mule-Project. Net Frostier 10.

How are the Internet and the Web similar to or different from other technologies that have changed commerce in the past? The Internet and the Web are similar to other technologies that have changed commerce in the past in that each new technological innovation spawns explosive growth characterized by thousands of startup companies. Many of these fail in the

period of retrenchment and consolidation that follows. As with other technological revolutions, eventually it is the large, already established firms who have the resources to exploit the new technology.

The growth of the Internet, when compared to other electronic technologies such as radio and television, has been much more rapid: the Internet and Web achieved a 53 percent share of U. S households in only 10 years. In comparison, it took 38 years for radio and 17 for television to achieve a 30 percent share. 11. Describe the three different stages in the evolution of e-commerce. The three stages in the evolution of e-commerce are innovation, consolidation, and reinvention. Innovation took place from 1995-2000 and was characterized by excitement and both buyers and merchants.

However, e-commerce did not fulfill these visions during TTS early years. After 2000, e-commerce entered its second stage of development: consolidation. In this stage, more traditional firms began to use the Web to enhance their existing businesses. Less emphasis was placed on creating new brands. In 2006, though, e-commerce entered its current stage, reinvention, as social networking and Web 2. 0 applications reinvigorated e-commerce and encouraged the development of new business models. 12. What are the major limitations on the growth of e-commerce? Which is potentially the toughest to overcome?

One major limitation to the growth of e-commerce is the price of personal computers. Another limitation is the need for many people to learn complicated operating systems, at least in comparison to other technologies such as the television or the telephone. People must also learn a set of

sophisticated skills to make effective use of the Internet and e-commerce capabilities. Another limitation is the unlikelihood that the digital shopping experience will ever replace the social and cultural experience that many seek from the traditional shopping environment.

Finally, persistent global income inequality will exclude most of the world's population, who do not and probably will not in the foreseeable future, have access to telephones or PC's. Social and cultural limitations are likely to be tougher to overcome than technological limitations. 13. What are three of the factors that will contribute to greater Internet penetration in U. S.

Households? Factors that will contribute to greater Internet penetration into U. S. Households in the next decade include: The price of an entry-level PC such as a notebook and smartness with Internet access has fallen to \$200.

Enhanced capabilities, such as integration with television and access to film libraries on a pay- per-view basis, will draw in more consumers. The PC operating system is likely to evolve into a simpler platform with simpler choice panels. The use of wireless Web technology is increasing. 14. Define

disintermediation and explain the benefits to Internet users of such a phenomenon. How does disintermediation impact friction-free commerce?

Disintermediation means the removal of the market middlemen? the distributors, wholesalers, and other intermediaries? between producers and consumers.

The predicted benefits to Internet users include the decline of prices for products and services as manufacturers and content originators develop a direct relationship with their customers, and the elimination of payments to these middlemen. Disintermediation of markets would create intense

competition. This, along with lowered transaction costs, would eliminate product brands, eventually resulting in the elimination of unfair competitive advantages and extraordinary returns on capital: the vision of friction-free commerce. 15.

What are some of the major advantages and disadvantages of being a first mover? The major advantages of being a first mover are the ability to build a brand name the ability to build switching costs into the technology or services offered so that customers will find it discomfiting to change to a late entering competitor. The major disadvantage is that historically, many first movers have not succeeded and are instead replaced by the fast follower, larger firms with the financial, marketing, legal, and production assets necessary to develop mature markets.

Generally, only a handful of first mover firms become successful long-term businesses as the start-up costs and time it takes to build a profitable business are often underestimated. 16. Discuss the ways in which the early years of e-commerce can be considered both a success and a failure. The early years of e-commerce can be considered a success because of the technological success that occurred as Web-enabled transactions grew from thousands to billions. The digital infrastructure proved to be a solid foundation on which to build a viable marketing channel.

From a business perspective, the early years of e-commerce were a mixed success with just a tiny percentage of dot. Com companies surviving.

However, the survivors have benefited from the continued growth in BBC revenues. The early years of e-commerce can also be considered a success

in that the transfer of information has been a huge accomplishment as consumers learned to use the Web to procure information about products they wanted to purchase (Internet-influenced commerce). 17. What are five of the major differences between the early years of e-commerce and today's e-commerce?

The major differences between the early years of e-commerce (the Innovation stage), the period between 2001-2006 (the Consolidation stage), and today's e-commerce (the Reinvention stage) are: During the Innovation stage, e-commerce was primarily technology-driven. During the Consolidation stage, it was primarily business-driven. Today's e-commerce, while still business-driven, is also audience, customer, and community-driven. During the Innovation stage, firms placed an emphasis on revenue growth, quickly achieving high market visibility/ market share.

During the Consolidation stage, the emphasis was on building profitable firms. Today, audience and social network growth are being emphasized. Startups during the Innovation stage were financed by venture capitalists, whereas those in the Consolidation stage were primarily financed by traditional methods. Today, startups are once again being financed by venture capitalists, albeit with mailer investments. In addition, many large online firms are now entering the market, and acquiring early stage firms via buy-outs. During the Innovation stage, e-commerce was, for the most part, ungoverned.

In the Consolidation stage, there was a rise in the amount of regulation and governmental controls by governments worldwide. Today, there is extensive

government regulation and surveillance. The Innovation stage of e-commerce was characterized by the young entrepreneurial spirit. During the Consolidation stage, e-commerce was primarily dominated by the retail giants. Today, large purely Web-based firms are playing a major role. The Innovation phase was characterized by an emphasis on deconstructing traditional distribution channels and disintermediation existing channels.

During the Consolidation stage, intermediaries strengthened. Today, there is a proliferation of “ Perfect markets” in which direct market relationships with consumers, the decline of intermediaries, and lower transaction costs resulted in intense competition and the elimination of brands, are being replaced by imperfect markets. Imperfect markets are characterized by a strengthening of brand name importance, increasing information asymmetries, price discrimination, and network effects. The early years of e-commerce saw an infusion of pure online businesses that thought they could achieve unassailable first mover advantages.

During the Consolidation stage, successful firms used a mixed “ bricks-and-clicks” strategy, combining traditional sales channels such as physical stores and printed catalogs with online efforts. Today, there is a return of pure online strategies in new markets, as well as continuing extension of the “ bricks-and-clicks” strategy in traditional retail markets. The early years of e-commerce were dominated by the first movers. In the Consolidation stage, e-commerce was dominated by the well-endowed and experienced Fortune 500 and other traditional firms.

Today, first-mover advantages are returning in new markets as traditional Web players catch up. 18. What factors will help define the future of e-commerce over the next five years? The factors that will help define the future of e-commerce over the next five years include: The technology of e-commerce? the Internet, the Web, and the number of wireless appliances? will continue to proliferate through all commercial activity; verbal revenues will continue to rise rapidly; and the numbers of both visitors and products and services sold will continue to grow. Prices will rise to cover the real costs of doing business on the Web and to pay investors a reasonable rate of return on their capital. E-commerce margins and profits will rise to the level of traditional retailers. (The difference between revenues from sales and cost of goods sold will be equal to that of traditional firms.) The top e-commerce sites will increasingly obtain very well known brands from strong, older firms. The number of successful purely inline companies will further decline.

The most successful e-commerce firms will use both traditional marketing channels such as physical stores, printed catalogs, and e-commerce Web sites. 19. Why is a multidisciplinary approach necessary if one hopes to understand e-commerce? A multidisciplinary approach is necessary in order to understand e-commerce because no single academic discipline covers all facets of the e-commerce phenomenon. E-commerce is primarily a technologically driven occurrence, including information technologies developed over the past 50 years, with the Internet and the Web at the core. However, beyond the infrastructure are the business purposes that drive the phenomenon: the changing business models and strategies that will transform old companies and spawn new ones. To understand e-commerce, <https://assignbuster.com/e-commerce-chapter-essay/>

one must understand some basic business concepts such as: industry structures, business models, firm and industry value chains, and consumer behavior. They must also comprehend the nature of electronic markets and information goods. Finally, the impact on society must be considered: global e-commerce can have consequences issues such as equal access, equity, content control, and taxation will need to be addressed.