

Notes for Lecture # 1 (Sunday 4/3/2007)

**From Book: Introduction to E-Commerce, 2nd Edition
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Introduction

Given the competitive business environment nowadays, e-commerce is the new rising trend for organizations' aiming for a distinct position in the market and reaching a global market.

This chapter discusses the difference between managing a traditional business and an e-business. E-Commerce does not mean forgetting about everything we knew previously about business and management; it rather means the exploration of some innovations to these business concepts, new approaches to think about strategy and management.

The wide spread of Internet companies lead to the appearance of new terminology such as "Networked Economy".

Networked economy businesses have several traits in common

1. They create value through the gathering and distribution of information.
2. They formulate strategy in ways that make management of the enterprise and management of technology convergent.
3. They compete in real time rather than "cycle time" and operate in constantly responsive dialogue with their customers and markets.
4. They operate in a world characterized by low barriers to entry, near-zero variable costs of operation, and – as a result – intense, constantly shifting competition.
5. They organize resources around the demand side rather than the supply side.
6. They manage relationships with customers and markets through "screen-to-face" channels and interfaces, which means through technology rather than people.

DEFINITION AND SCOPE OF E-COMMERCE

Definition of E-Commerce

Technology mediated exchanges between parties (individuals or organizations) as well as the electronically based intra- or interorganizational activities that facilitate such exchanges.

Characteristics of E-Commerce

1. It is about the exchange of digitalized information between parties.
2. It is technology-enabled. (E.g. through Web browsers)
3. It is technology-mediated.
(The place where buyers and sellers meet to conduct business is moving from the physical world "marketplace" to the virtual world "marketspace").
4. It includes intra- (how business operates internally) and interorganizational (how business relates to external parties) activities that support the exchange.

Categories for E-Commerce

- I. ***Business-to-business (B2B)***
Is the activity of e-commerce that occurs between two organizations.
- II. ***Business-to-Consumer (B2C)***
Is the exchange products or services between businesses and consumers. Transactions are usually smaller in scope than B2B (E.g. www.amazon.com).
- III. ***Consumer-to-Consumer (C2C) or (Peer-to-Peer P2P)***
Exchange involves transactions between and among consumers. These transactions may include facilitators or third parties (E.g. www.ebay.com).
- IV. ***Consumer-to-Business (C2B)***
Occurs when consumers band together to present themselves as one buyer group to gain economical advantage (E.g. Demand aggregation).

		Business originating from...	
		Business	Consumers
And selling to...	Business	B2B	C2B
	Consumers	B2C	C2C or P2P

STRATEGY MAKING IN A RAPIDLY CHANGING ENVIRONMENT

The online environment *changes rapidly*, which makes it difficult for a company to select a strategy. Online companies need to have the ability to shift resources, revenue models and content according to the environment around them.

Classical Strategic Planning

This process begins with the identification of the mission or vision of the firm. A mission specifies why the organization exists. The mission is translated into specific goals (E.g. financial, customer-oriented, internally focused or shareholder based). After analyzing the company's strengths and competencies (using tools like the SWOT analysis) and examining the external boundaries, the company sets its "corporate strategy" and, consequently, "business unit strategies". Once strategies are agreed upon, they are implemented through policies, programs, procedures and budgets.

Factors of Consumer Behavior in the Online Environment

A. *Customization (Individualization)*

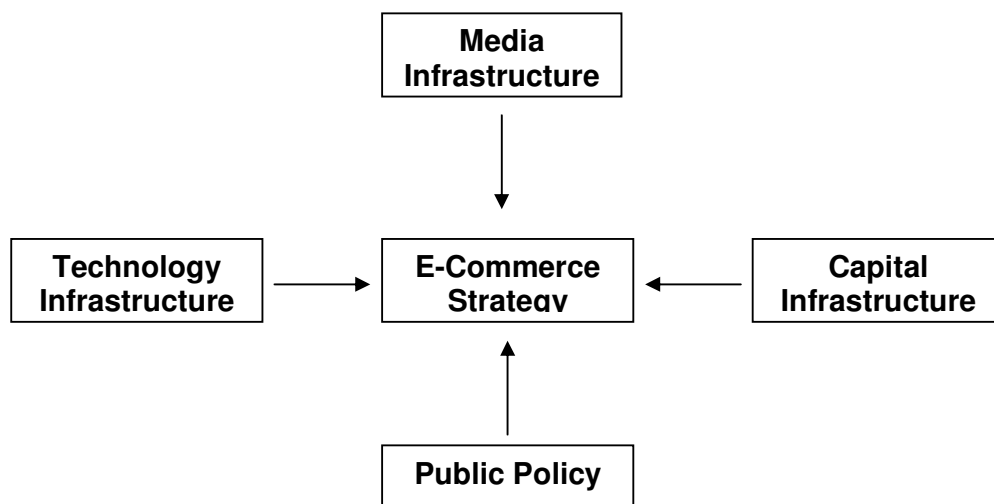
Customization refers to the personalization of communication between users and a website. It can be initiated by the firm (I.e., the firm customizes its site for the user) or by the user (I.e., user builds a custom version of the site (E.g. <http://my.yahoo.com>)).

B. *Interactivity*

Interactivity is defined as the users' ability to conduct two-way communication. This includes user-to-user and firm-to-user communication. The internet gives the opportunity for dialogue, which puts the customer in control of the interaction and increases the probability of a positive outcome for both parties. While using traditional communication techniques such as TV, radio and magazine ads (one way communication) do not deliver the same results.

THE FRAMEWORK FOR THE FIELD OF E-COMMERCE

How should one learn and think about the networked economy?



At the core of e-commerce activities is the strategy of the enterprise. Wrapped around this strategy proves are four critical infrastructures (Technology, Capital, Media and Public Policy). These infrastructures provide the context – both the opportunities and the constraints - in which the strategy operates.

1. ***Technology infrastructure***

Technology infrastructure is the technological foundation (Internet and websites) that enables the running of e-commerce enterprises. Knowing what technology is available (as well as understanding the tradeoffs involved) and making the appropriate choices so that the website is a reflection of the company's strategy is quite important.

2. ***Capital infrastructure***

Capital infrastructure tells us the source of money (funding) needed to build a successful e-business. "Where does the money come from?"

3. **Media infrastructure**

Media convergence provides both opportunities and constraints for managers. Since the Internet is a mass communication platform, managers must know how to manage staff responsible for design interface, stylistic choices and editorial policies and content. This means that nowadays managers are also publishers of digital content on the web.

4. **Public policy infrastructure**

All decisions related to the above infrastructures are influenced by laws and regulations or in other words public policy. E-commerce manager must know how the laws may change to help or hurt their business and others around them.

The strategy formulation process

