

Principles of Management Information Systems

Lecture 7

MGM331

Electronic and Mobile Commerce

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Chapter 7

- Electronic and mobile commerce have transformed many areas of our lives and careers.
- One fundamental change has been the manner in which companies interact with their suppliers, customers, government agencies, and other business partners.
- As a result, most organizations today have set up business on the Internet or are considering doing so.
- To be successful, all members of the organization need to plan and participate in that effort.

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- As a sales or marketing manager, you will be expected to help define your firm's e-commerce business model.
- As a customer service employee, you can expect to participate in the development and operation of your firm's Web site.
- As a human resource or public relations manager, you will likely be asked to provide Web site content for use by potential employees and shareholders.
- As an analyst in finance, you will need to know how to measure the business impact of your firm's Web operations and how to compare that to competitors' efforts

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- Clearly, as an employee in today's organization, you must understand what the potential role of e-commerce is, how to capitalize on its many opportunities, and how to avoid its pitfalls.
- The emergence of m-commerce adds an exciting new dimension to these opportunities and challenges.
- Many customers, potential employees, and shareholders will be accessing your firm's Web site via smartphones, tablets, and laptops.
- This chapter begins by providing a brief overview of the dynamic world of e-commerce.

Principles

- ✓ Electronic and mobile commerce are evolving, providing new ways of conducting business that present both potential benefits and problems.
- ✓ E-commerce and m-commerce can be used in many innovative ways to improve the operations of an organization.
- ✓ Organizations must define and execute an effective strategy to be successful in e-commerce and m-commerce.
- ✓ E-commerce and m-commerce require the careful planning and integration of a number of technology infrastructure components.

Learning Objectives

- Describe the current status of various forms of e-commerce, including B2B, B2C, C2C, and e-government.
- Outline a multistage purchasing model that describes how e-commerce works.
- Define m-commerce and identify some of its unique challenges.
- Identify several e-commerce and m-commerce applications.
- Identify several advantages associated with the use of e-commerce and m-commerce.

Learning Objectives

- Outline the key components of a successful e-commerce and m-commerce strategy.
- Identify the key components of technology infrastructure that must be in place for e-commerce and m-commerce to work.
- Discuss the key features of the electronic payment systems needed to support e-commerce and m-commerce.

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Introduction

- *Electronic commerce* (e-commerce) is the conducting of business activities (e.g., distribution, buying, selling, marketing, and servicing of products or services) electronically over computer networks.
- It includes any business transaction executed electronically between companies (business-to-business), companies and consumers (business-to-consumer), consumers and other consumers (consumer-to-consumer), public sector and business (government-to-business), public sector to citizens (government-to-citizen), and public sector to public sector (government-to-government).
- Business activities that are strong candidates for conversion to e-commerce are ones that are paper based, time consuming, and inconvenient for customers.



Business-to-Business E-Commerce

- *Business-to-business (B2B)* e-commerce is a subset of e-commerce in which all the participants are organizations.
- B2B e-commerce is a useful tool for connecting business partners in a virtual supply chain to cut resupply times and reduce costs.
- Although the business-to-consumer market grabs more of the news headlines, the B2B market is considerably larger and is growing more rapidly.

Business-to-Business E-Commerce

- Moving more customers online is key to B2B commerce success, so in addition to investing in new technologies, B2B companies are focusing on new ways of engaging their customer across multiple channels—both online and offline.
- The top e-commerce priorities for many B2B buyers include transparent pricing, easily accessible product details, purchase tracking, and personalized recommendations.

Business-to-Business E-Commerce

- Many organizations use both buy-side e-commerce to purchase goods and services from their suppliers and sell-side e-commerce to sell products to their customers.
- Buy-side e-commerce activities include identifying and comparing competitive suppliers and products, negotiating and establishing prices and terms, ordering and tracking shipments, and steering organizational buyers to preferred suppliers and products.

Business-to-Business E-Commerce

- Sell-side e-commerce activities include enabling the purchase of products online, providing information for customers to evaluate the organization's goods and services, encouraging sales and generating leads from potential customers, providing a portal of information of interest to the customer, and enabling interactions among a community of consumers.
- Thus, buy-side and sell-side e-commerce activities support the organization's value chain and help the organization provide lower prices, better service, higher quality, or uniqueness of product and service.

Business-to-Consumer E-Commerce

- *Business-to-consumer (B2C)*: customers deal directly with an organization and avoid intermediaries. The elimination of intermediate organizations between the producer and the consumer is called disintermediation
- This squeezes costs and inefficiencies out of the supply chain and can lead to higher profits for businesses and lower prices for consumers.
- More than just a tool for placing orders, the Internet enables shoppers to compare prices, features, and value, and to check other customers' opinions.
- One reason for the steady growth in B2C e-commerce is shoppers find that many goods and services are cheaper when purchased online.

Business-to-Consumer E-Commerce

- Another reason for the growth in B2C e-commerce is that online B2C shoppers have the ability to design a personalized product.
- Nike, Inc., provides a successful example of this approach to personalization. The company's online NIKEiD service enables purchasers to customize a pair of shoes by selecting from different material, features, and fit options—including the level of insole cushioning, sole material, and the fabric color and design of everything from the lining of the shoe to the laces.
- Third reason for the continued growth of B2C e-commerce is the effective use of social media networks by many companies looking to reach consumers, promote their products, and generate online sales.

Consumer-to-Consumer E-Commerce

- *Consumer-to-consumer (C2C)* e-commerce is a subset of e-commerce that involves electronic transactions between consumers using a third party to facilitate the process.
- eBay is an example of a C2C e-commerce site; customers buy and sell items to each other through the site. Founded in 1995, eBay has become one of the most popular Web sites in the world.

TABLE 7.3 Differences among B2B, B2C, and C2C

Factors	B2B	B2C	C2C
Typical value of sale	Thousands or millions of dollars	Tens or hundreds of dollars	Tens of dollars
Length of sales process	Days to months	Days to weeks	Hours to days
Number of decision makers involved	Several people to a dozen or more	One or two	One or two
Uniformity of offer	Typically a uniform product offering	More customized product offering	Single product offering, one of a kind
Complexity of buying process	Extremely complex; much room for negotiation on quantity, quality, options and features, price, payment, and delivery options	Relatively simple; limited negotiation on price, payment, and delivery options	Relatively simple; limited negotiation on payment and delivery options; negotiations focus on price
Motivation for sale	Driven by a business decision or need	Driven by an individual consumer's need or emotion	Driven by an individual consumer's need or emotion

E-Government

- *E-government* is the use of information and communications technology to simplify the sharing of information, speed formerly paper-based processes, and improve the relationship between citizens and government.
- Government-to-citizen (G2C), government-to-business (G2B), and government-to-government (G2G) are all forms of e-government, each with different applications.
- Citizens can use **G2C applications** to renew auto licenses and apply for student loans. Citizens can purchase items from the government through its Web site, which offers the general public the opportunity to bid electronically on a wide range of government assets.

E-Government

- **G2B applications** support the purchase of materials and services from private industry by government, enable firms to bid on government contracts, and help businesses identify government contracts on which they may bid
- **G2G applications** support transactions between government entities. Government to Government Services Online enables government organizations to report information—such as birth and death data, arrest warrant information, and information about the amount of state aid being received

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Introduction to Mobile Commerce

- *Mobile commerce (m-commerce)* relies on the use of mobile devices, such as tablets and smartphones, to place orders and conduct business.
- Smartphone manufacturers such as Apple, Huawei, Lenovo, LG, Samsung, and Xiaomi are working with communications carriers such as AT&T, Sprint/Nextel, T-Mobile, and Verizon to develop wireless devices, related technology, and services to support m-commerce.

Advantages of Electronic and Mobile Commerce

- **Reduce Costs:** By eliminating or reducing time-consuming and labor-intensive steps through out the order and delivery process, more sales can be completed in the same period and with increased accuracy.
- With increased **speed and accuracy** of customer order information, companies can reduce the need for inventory from raw materials to safety stocks and finished goods at all the intermediate manufacturing, storage, and transportation.
- **Speed the Flow of Goods and Information:** When organizations and their customers are connected via e-commerce, the flow of information is accelerated because electronic connections and communications are already established.
- **Increase Accuracy:** By enabling buyers to enter their own product specifications and order information directly, human data-entry error on the part of the supplier is eliminated.
- **Reach New Customers**

Multistage Model for E-Commerce

1- Search and Identification: buyer has to identify a preferred supplier based on the vendor's price competitiveness, level of service, quality of products, and speed of delivery.

2- Select and Negotiate: After price quotations have been received from each supplier, the employee examines them and indicates which items to order from a given supplier in addition to the desired delivery date and item's quality and speed of delivery.

Multistage Model for E-Commerce

3- Purchase Products and Services: The employee completes the purchase order specifying the final agreed-upon terms and prices by sending a completed electronic form to the supplier.

4- Deliver Products: Electronic distribution and regular mail service.

5- After-Sales Service: comprehensive customer information is captured from each order and stored in the supplier's customer database. if a customer later contacts the supplier to complain that not all items were received, that some arrived damaged, customer service representative will be able to retrieve the order information from the database.

E-Commerce Challenges

Dealing with Consumer Privacy Concerns

- While two-thirds of Internet users have purchased an item, about one-third of all adult Internet users will not buy anything online primarily because they have privacy concerns or lack trust in online merchants.
- In addition to having an effective e-commerce model and strategy, companies must carefully address consumer privacy concerns and overcome consumers' lack of trust.
- In some cases, the compromise of personal data can lead to *identity theft* (The use of someone's personal identification information without his or her permission)
- Companies looking to do business online must invest in the latest security technology and employ highly trained security experts to protect their consumers' data. For large companies, that can mean a sizable in-house staff that monitors security issues 24/7.

E-Commerce Challenges

Overcoming Consumers' Lack of Trust

- Can Consumers be sure that the company or person with which they are dealing is legitimate and will send the item(s) they purchase?
- What if there is a problem with the product or service when it is received: for example, if it does not match the description on the Web site, is the wrong size or wrong color, is damaged during the delivery process, or does not work as advertised?

E-Commerce Challenges

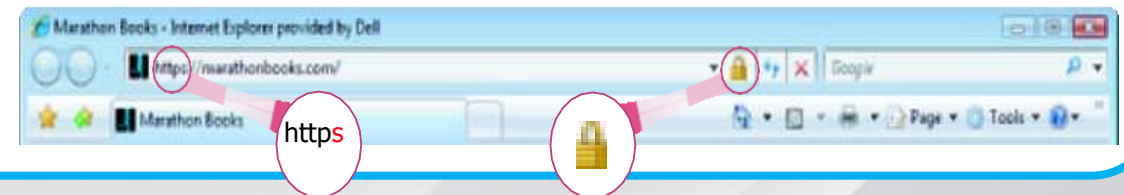
Overcoming Consumers' Lack of Trust

- Online marketers must create specific trust-building strategies for their Web sites by analyzing their customers, products, and services.
- A perception of trustworthiness can be created by implementing one or more of the **following strategies**:
 - ❖ Demonstrate a strong desire to build an ongoing relationship with customers by giving first-time price incentives, offering loyalty programs, or eliciting and sharing customer feedback.
 - ❖ Demonstrate that the company has been in business for a long time.
 - ❖ Make it clear that considerable investment has been made in the Web site.
 - ❖ Provide brand endorsements from well-known experts or well-respected individuals.
 - ❖ Demonstrate participation in appropriate regulatory programs or industry associations.

E-Commerce Challenges

Overcoming Consumers' Lack of Trust

- Here are some tips to help online shoppers avoid problems:
 - ❖ Only buy from a well-known Web site you trust—one that advertises on national media, is recommended by a friend, or receives strong ratings in the media.
 - ❖ Review the Web site's privacy policy to be sure that you are comfortable with its conditions before you provide personal information.
 - ❖ Determine what the Web site policy is for return of products purchased.
 - ❖ Be wary if you must enter any personal information other than what's required to complete the purchase (name, credit card number, address, and telephone number).
 - ❖ Do not, under any conditions, ever provide information such as your Social Security number, bank account numbers.
 - ❖ When you open the Web page where you enter credit card information or other personal data, make sure that the Web address begins with "https," and check to see if a locked padlock icon appears in the Address bar or status bar, as shown in Figure



E-Commerce Challenges

Overcoming Global Issues

- E-commerce and m-commerce offer enormous opportunities by allowing manufacturers to buy supplies at a low cost worldwide.
- They also offer enterprises the chance to sell to a global market right from the start.
- Moreover, they offer great promise for developing countries, helping them to enter the prosperous global marketplace, which can help to reduce the gap between rich and poor countries.
- People and companies can get products and services from around the world, instead of around the corner or across town. These opportunities, however, come with numerous **obstacles** and issues associated with all global systems:

E-Commerce Challenges

Overcoming Global Issues

- ❖ **Cultural challenges:** Great care must be taken to ensure that a Web site is appealing, easy to use, and inoffensive to potential customers around the world.
- ❖ **Language challenges:** Language differences can make it difficult to understand the information and directions posted on a Web site.
- ❖ **Time and distance challenges:** Significant time differences make it difficult for some people to be able to speak to customer services representatives or to get technical support during regular waking hours.

E-Commerce Challenges

Overcoming Global Issues

- ❖ **Infrastructure challenges:** The Web site must support access by customers using a wide variety of hardware and software devices.
- ❖ **Currency challenges:** The Web site must be able to state prices and accept payment in a variety of currencies.
- ❖ **State, regional, and national law challenges:** The Web site must operate in conformance to a wide variety of laws that cover a variety of issues, including the protection of trademarks, the sale of copyrighted material, the collection and safeguarding of personal or financial data, the payment of sales taxes and fees, and much more.

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Electronic and Mobile Commerce Applications

1- Wholesale e-Commerce

- High percentage of manufacturing downtime is often caused by not having the right part at the right time in the right place. The result is lost productivity and capacity.
- E-commerce software for plant operations provides powerful comparative searching capabilities to enable managers to identify functionally equivalent items, helping them spot opportunities to combine purchases for cost savings.

2- Manufacturing

- One approach taken by many manufacturers to raise profitability and improve customer service is to move their supply chain operations onto the Internet.
- This approach speeds up the movement of raw materials and finished products and reduces the amount of inventory that must be maintained. It also leads to a much more competitive marketplace and lower prices.

3- Marketing

- The nature of the Web enables firms to gather more information about customer behavior and preferences as customers and potential customers gather their own information and make their purchase decisions.
- Internet advertisers use the data to identify specific markets and target them with tailored advertising messages.

4- Advertising

- Mobile ad impressions are generally bought at a cost per click (CPC), or cost per action (CPA), in which the advertiser pays only if the customer clicks through and then buys the product or service.

5- Bartering

- During the recent economic downturn, many people and businesses turned to bartering as a means of gaining goods and services.
- Some businesses are willing to barter to reduce excess inventory, gain new customers, or avoid paying cash for necessary raw materials or services.

6- Investment and Finance

- The brokerage business adapted to the Internet faster than any other arm of finance.
- The allure of online trading that enables investors to do quick, thorough research and then buy shares in any company in a few seconds and at a fraction of the cost of a full-commission firm has brought many investors to the Web.

Electronic and Mobile Commerce Applications

7- Banking

- Online banking customers can check balances of their savings, checking, and loan accounts; transfer money among accounts; and pay bills.
- These customers enjoy the convenience of not writing checks by hand, of tracking their current balances, and of reducing expenditures on envelopes and stamps.

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1- Defining an Effective E-Commerce Model and Strategy

- The most successful e-commerce models include three basic components: community, content, and commerce
- Discussion forums and other social shopping tools can build a loyal **community** of people who are interested in the company and its products and services. Providing useful, accurate, and timely **content**, such as industry and economic news and stock quotes, is a sound approach to encourage people to return to your Web site time and again.
- **Commerce** involves consumers and businesses paying to purchase physical goods, information, or services that are posted or advertised online.

Strategies for Successful E-Commerce and M-Commerce

2- Defining the Functions of a Web Site

When building a Web site, you should first decide which tasks the site must accomplish. Which might include the following:

- Obtaining general information about the organization
- Obtaining financial information for making an investment decision in the organization
- Learning the organization's position on social issues
- Learning about the products or services that the organization sells
- Buying the products or services that the company offers
- Checking the status of an order
- Getting advice or help on effective use of the products

2- Defining the Functions of a Web Site

- ❖ Registering a complaint about the organization's products
- ❖ Registering a complaint concerning the organization's position on social issues
- ❖ Obtaining information about warranties or service and repair policies for products
- ❖ Obtaining contact information for a person or department in the organization
- ❖ After a company determines which objectives its site should accomplish, it can move on planning and developing the site, keeping in mind that the priorities and objectives of customers may change over time. As the number of e-commerce shoppers increases and they become more comfortable—and more selective—making online purchases, a company might need to redefine the basic business model of its site to capture new business opportunities.

3- Establishing a Web Site

- Some companies elect to develop their sites in-house, but this decision requires a Web development staff that is experienced with HTML, Java, and Web design software.
- Many firms have decided to outsource the building of their Web sites in order to get their sites up and running faster and cheaper than they could by doing the job themselves

4- Building Traffic to Your Web Site

- The first step is to obtain and register a domain name, which should say something about your business.
- The next step to attracting customers is to make your site search-engine friendly by improving its rankings. Following are several ideas on how to accomplish this goal:
- Include **meta tags** in your site's home page. A meta tag is an HTML code, not visible on the displayed Web page, that contains keywords representing your site's content. Search engines use these keywords to build indexes pointing to your Web site.

4- Building Traffic to Your Web Site

- Add **new content** to the Web site on a regular basis. Again, this makes the site attractive to humans as well as search engines.
- **Acquire links** to your site from other reputable Web sites that are popular and related to your Web site. Avoid the use of low-quality links, as they can actually hurt your Web site's rating.

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Technology Infrastructure Required to Support E-Commerce and M-Commerce

1- Hardware

- A Web server hardware platform complete with the appropriate software is a key ingredient to e-commerce infrastructure.
- The amount of **storage** capacity and computing power required
- Can be **upgraded** to meet unexpected user traffic.
- Key Web site performance measures include **response time, transaction success rate, and system availability.**

2- E-Commerce Software

- E-commerce software must support four core tasks:
 - ☐ Catalog management to create and update the product catalog
 - ☐ Shopping cart facilities to track the items selected for purchase
 - ☐ E-commerce transaction processing
 - ☐ Web traffic data analysis to provide details to adjust the operations of the web site.

Technology Infrastructure Required to Support E-Commerce and M-Commerce

3- Mobile Commerce Hardware and Software

- For m-commerce to work effectively, the interface between the mobile device and its user must improve to the point that it is nearly as easy to purchase an item on a wireless device as it is to purchase it on a PC.
- The mobile devices used for m-commerce have several limitations that complicate their use.
- Their **screens are small**, perhaps no more than several square inches, and might be able to display only small portions of a Web site. In addition, **entering data** on a mobile device can be tedious and error prone. Mobile devices also have **less processing power** and less bandwidth than desktop or laptop computers, which are usually connected to a high-speed LAN. They also operate on **limited-life batteries**.
- For these reasons, Web developers must often rewrite Web applications so that users with mobile devices can access them.

Technology Infrastructure Required to Support E-Commerce and M-Commerce

4- Electronic Payment Systems

- Web sites that accept multiple payment types convert more visitors to purchasing customers than merchants who offer only a single payment method.
- **Credit card**, such as Visa or MasterCard, has a preset spending limit based on the user's credit history, and each month the user can pay all or part of the amount owed. Interest is charged on the unpaid amount.
- **Charge card**, such as American Express, carries no preset spending limit, and the entire amount charged to the card is due at the end of the billing period.
- **Debit cards** look like credit cards, but they operate like cash or a personal check. The debit card is linked directly to your savings or checking account. Each time you use the card, money is automatically taken from your checking or savings account to cover the purchase.

Summary

- Electronic commerce is the conducting of business activities (e.g., distribution, buying, selling, marketing, and servicing of products or services) electronically over computer networks.
- Business-to-business (B2B) e-commerce allows manufacturers to buy at a low cost worldwide, and offers enterprises the chance to sell to a global market.
- Business-to-consumer (B2C) e-commerce enables organizations to sell directly to consumers, eliminating intermediaries.

Summary

- Consumer-to-consumer (C2C) e-commerce involves consumers selling directly to other consumers.
- E-government involves the use of information and communications technology to simplify the sharing of information, speed formerly paper-based processes, and improve the relationship between citizens and government.

Summary

- Mobile commerce is the use of mobile devices such as tablets and smartphones to facilitate the sale of goods or services anytime and anywhere.
- Conversion to an e-commerce or m-commerce system enables organizations to reach new customers, reduce the cost of doing business, speed the flow of goods and information, increase the accuracy of order-processing and order fulfillment, and improve the level of customer service.

Summary

- A successful e-commerce system must address the many stages consumers experience in the sales life cycle. The ability of the user to search for and identify items for sale; select those items; negotiate prices, terms of payment, and delivery date; send an order to the vendor to purchase the items; pay for the product or service; obtain product delivery; and receive after-sales support.
- A firm faces three key challenges when converting its business processes from the traditional form to e-commerce processes: (1) dealing effectively with consumer privacy concerns, (2) successfully overcoming consumers' lack of trust, and (3) overcoming global issues.

Summary

- The Web allows firms to gather much more information about customer behavior and preferences than they could using other marketing approaches. This new technology has greatly enhanced the practice of market segmentation and has enabled many companies to establish closer relationships with their customers.
- The Internet has revolutionized the world of investment and finance, especially online stock trading and online banking.
- The numerous m-commerce applications include advertising, bartering, retargeting, price comparison, investment and finance, and banking.

Summary

- Businesses and people use e-commerce and m-commerce to reduce transaction costs, speed the flow of goods and information, improve the level of customer service, and enable the close coordination of actions among manufacturers, suppliers, and customers.
- E-commerce and m-commerce also enable consumers and companies to gain access to worldwide markets. They offer great promise for developing countries, enabling them to enter the prosperous global marketplace and hence helping to reduce the gap between rich and poor countries.

Summary

- Because e-commerce and m-commerce are global systems, they face cultural, language, time and distance, infrastructure, currency, product and service, and state, regional, and national law challenges.
- E-commerce start-ups must decide whether they will build and operate the Web site themselves or outsource this function. Web site hosting services and storefront brokers provide alternatives to building your own Web site.

Summary

- To build traffic to your Web site, you should register a domain name that is relevant to your business, make your site search-engine friendly by including a meta tag in your home page.
- A number of infrastructure components must be chosen hardware, Web server software, and e-commerce software.

Reference

