

MySpace and Facebook: It's All About You
Class Discussion

- What was the idea behind the creation of MySpace?
- How is Facebook different from MySpace?
- Have you used MySpace or Facebook, and if so, how often? What was your experience?
- Do you think these sites will continue to grow?

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E-commerce Trends: 2007-2008

- New business models based on social technologies and user-generated content
- Search engine marketing dominates online advertising
- More and more people/businesses use Internet to conduct commerce
- Broadband and wireless Internet access growing
- Continued conflict over copyrights, content regulation, taxation, privacy, Internet fraud and abuse.

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What is E-commerce?

- Involves *digitally enabled commercial transactions* between and among organizations and individuals
 - *Digitally enabled transactions* include all transactions mediated by digital technology
 - *Commercial transactions* involve the exchange of value across organizational or individual boundaries in return for products or services

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E-commerce vs. E-business

- E-business:
 - Digital enablement 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

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Why Study E-commerce?

- Technology is different and more powerful than other technologies
- Has challenged much traditional business thinking
- Has a number of unique features that help explain why we have so much interest in e-commerce

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Unique Features of E-commerce Technology

- Ubiquitous
- Global reach
- Universal standards
- Information richness
- Interactive
- Information density
- Personalization/customization
- Social technology

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Web 2.0

- The “new” Web
- Applications and technologies that allow users to:
 - create, edit, and distribute content
 - share preferences, bookmarks, and online personas
 - participate in virtual lives
- Examples
 - YouTube, Photobucket, Flickr
 - MySpace, Facebook, LinkedIn
 - Second Life
 - Wikipedia

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Types of E-commerce

- Classified by nature of market relationship
 - Business-to-Consumer (B2C)
 - Business-to-Business (B2B)
 - Consumer-to-Consumer (C2C)
- Classified by type of technology used
 - Peer-to-Peer (P2P)
 - Mobile commerce (M-commerce)

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The Internet

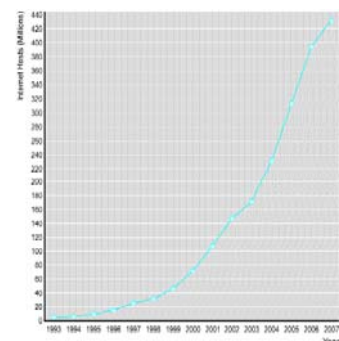
- Worldwide network of computer networks built on common standards
 - Created in late 1960s
 - Services include the Web, e-mail, file transfers, etc.
 - Can measure growth by looking at number of Internet hosts with domain names

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The Growth of the Internet, Measured by Number of Internet Hosts with Domain Names

Figure 1.3, Page 23



SOURCE: Internet Systems Consortium, Inc. (www.isoc.org), 2007.

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The Web

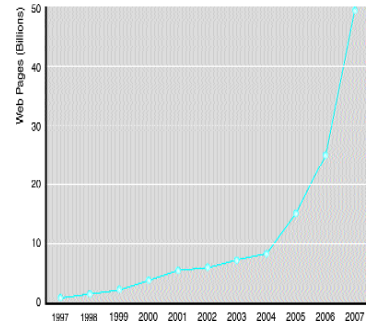
- The most popular service on the Internet
 - Developed in early 1990s
 - Provides access to Web pages (HTML documents)
 - Can include text, graphics, animations, music, videos
 - Web content in form of Web pages has grown exponentially, from over 2 billion pages in 2000 to over 50 billion pages in 2007

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The Growth of Web Content

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SOURCE: Based on data from Google Inc., 2007.

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Insight on Technology: Spider Webs, Bow Ties, Scale-Free Networks, and the Deep Web

Class Discussion

- What is the “small world” theory of the Web?
- What is the significance of the “bow-tie” form of the Web?
- Why does Barabasi call the Web a “scale-free network” with “very connected super nodes”?

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Origins and Growth of E-commerce

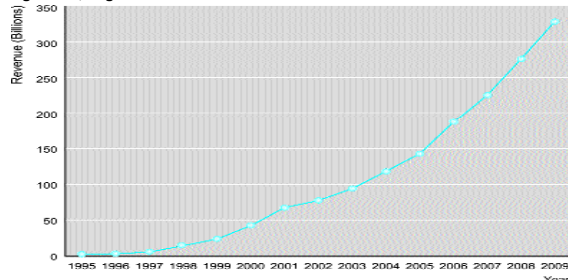
- Precursors include
 - Baxter Healthcare
 - Electronic Data Interchange (EDI)
 - French Minitel (1980s videotext system)
- None of precursor systems had the functionality of the Internet
- We date the beginning of e-commerce to 1995
- Since then, has been fastest growing form of commerce in U.S.

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The Growth of B2C E-commerce

Figure 1.5, Page 25



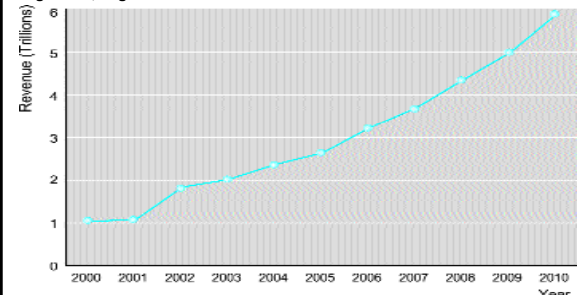
SOURCES: Based on data from eMarketer, Inc., 2007a; U.S. Census Bureau, 2007; Forrester Research, 2007a; authors' estimates.

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The Growth of B2B E-commerce

Figure 1.6, Page 28



SOURCES: Based on data from U.S. Census Bureau, 2007; authors' estimates.

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Technology and E-commerce in Perspective

- The Internet and Web are just two of a long list of technologies, such as automobiles and radio, that have followed a similar historical path.
- Although e-commerce has grown explosively, eventually its growth will cap as it confronts its own fundamental limitations.

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Potential Limitations on the Growth of B2C E-commerce

- Expensive technology
- Complex software interface
- Sophisticated skill set
- Persistent cultural attraction of physical markets and traditional shopping experiences
- Persistent global inequality limiting access to telephones and computers

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The Visions and Forces Behind E-commerce: 1995–2000

- For computer scientists, vindicated a vision of universal communications and computing environment
- For economists, vision of a perfect Bertrand market and friction-free commerce
- For entrepreneurs, their financial backers and marketing professionals, represented an extraordinary opportunity to return far above normal returns on investment.

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Insight on Business: Dot-com IPOs: it's Déjà Vu All Over Again Class Discussion

- What explains the rapid growth in private investment in e-commerce firms in the period 1998–2000? Was this investment irrational?
- Why do you think investors in 2007 are once again interested in investing in or purchasing e-commerce companies? Would you invest in an e-commerce company today?
- What's happening today? Go to the PricewaterhouseCoopers MoneyTree Web site for the latest information:

<http://www.pwcmoneytree.com/moneytree/index.jsp>

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Assessing E-commerce: Successes, Surprises and Failures

- A stunning technological success
- Early years have been a mixed success from a business perspective
- Many visions developed during early days of e-commerce not fulfilled

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Predictions for the Future

- E-commerce technology will continue to propagate through all commercial activity
- E-commerce prices will rise to cover the real cost of doing business on the Web and pay investors reasonable rate of return
- E-commerce margins and profits will rise to levels more typical of all retailers
- In B2C and B2B, traditional Fortune 500 companies will play growing and dominant role
- Number of successful pure online companies will decline and most successful e-commerce firms will adopt mixed "clicks and bricks" strategies
- Growth of regulatory activity worldwide

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Understanding E-commerce: Organizing Themes

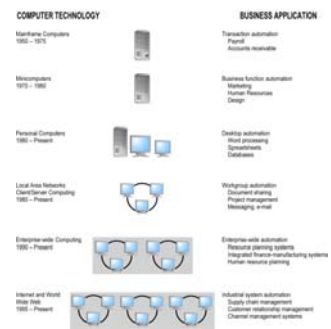
- Technology: Development and mastery of digital computing and communications technology
- Business: New technologies present businesses and entrepreneurs with new ways of organizing production and transacting business
- Society: Intellectual property, individual privacy, and public policy

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The Internet and the Evolution of Corporate Computing

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Insight on Society: Holding On to Your Privacy Online

Class Discussion

- What are the techniques of privacy invasion described in the case?
- Which of these techniques is the most privacy-invading? Why?
- Is the Internet and e-commerce any different than traditional markets with respect to privacy? Don't merchants always want to know their customer?
- How do you protect your privacy on the Web?

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